

# **UNITED STATES**

## **INTERNATIONAL TRADE COMMISSION**

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<b>In the Matter of:</b>	)	<b>Investigation Nos.:</b>
<b>CERTAIN HOT-ROLLED STEEL FLAT</b>	)	<b>701-TA-545-547 and</b>
<b>PRODUCTS FROM AUSTRALIA, BRAZIL,</b>	)	<b>731-TA-1291-1297</b>
<b>JAPAN, KOREA, THE NETHERLANDS,</b>	)	<b>(Final)</b>
<b>TURKEY AND THE UNITED KINGDOM</b>	)	

**REVISED AND CORRECTED**

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**Place: Washington, D.C.**  
**Date: August 4, 2016**

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THE UNITED STATES  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:  
HOT-ROLLED STEEL FLAT PRODUCTS FROM ) 701-TA-545-547 AND  
AUSTRALIA, BRAZIL, JAPAN, KOREA, ) 731-TA-1291-1297  
THE NETHERLANDS, TURKEY, AND THE ) (FINAL)  
UNITED KINGDOM )

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Thursday, August 4, 2016

The meeting commenced pursuant to notice at 9:30  
a.m., before the Commissioners of the United States  
International Trade Commission, the Honorable Irving A.  
Williamson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Irving A. Williamson (presiding)

5 Commissioner David S. Johanson

6 Commissioner Meredith M. Broadbent

7 Commissioner F. Scott Kieff

8 Commissioner Rhonda K. Schmidtlein

9

10

11 Staff:

12 Lisa R. Barton, Secretary to the Commission

13 Sharon Bellamy, Program Support Specialist

14 Sonia Parveen, Student Intern

15 Nadiya Samon, Student Intern

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17 Justin Enck, Investigator

18 Gerald Houck, International Trade Analyst

19 John Benedetto, Economist

20 David Boyland, Accountant/Auditor

21 Robin Turner, Attorney/Advisor

22 Douglas Corkran, Supervisory Investigator

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1 Congressional Appearance:

2 The Honorable Peter J. Visclosky, U.S. Representative, 1st  
3 District, Indiana

4

5 State Government Appearance:

6 The Honorable Joe Sbranti, City Manager, City of Pittsburg,  
7 CA

8

9 Embassy Appearance:

10 Embassy of Japan

11 Washington, DC

12 The Honorable Jun-ichiro Kuroda, Minister for Economy,

13 Trade, Industry and Energy

14

15 Opening Remarks:

16 Petitioners (Alan H. Price, Wiley Rein LLP)

17 Respondents (Donald B. Cameron, Morris Manning & Martin LLP)

18

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1 In Support of the Imposition of Antidumping and

2 Countervailing Duty Orders:

3 Kelley Drye & Warren LLP

4 Washington, DC

5 on behalf of

6 ArcelorMittal USA ("AMUSA")

7 John Brett, Chief Executive Officer, AMUSA

8 Daniel Mull, Executive Vice President for Sales and

9 Marketing, AMUSA

10 Thomas Conway, International Vice President, United

11 Steel Workers

12 Gina Beck, Economic Consultant, Georgetown Economic

13 Services

14 Brad Hudgens, Economic Consultant, Georgetown Economic

15 Services

16 Paul Rosenthal, Kathleen Cannon and Alan Lubberda - Of

17 Counsel

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1 Schagrin Associates

2 Washington, DC

3 on behalf of

4 SSAB Enterprises, LLC

5 Steel Dynamics, Inc.

6 Mark Millett, President and Chief Executive Officer,

7 Steel Dynamics, Inc.

8 Jeff Moskaluk, Vice President and Chief Commercial

9 Officer, SSAB Enterprises, LLC

10 Glenn Gilmore, International Trade Supervisor, SSAB

11 Enterprises, LLC

12 Roger B. Schagrin, Christopher T. Cloutier and John W.

13 Bohn - Of Counsel

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15 King & Spalding LLP

16 Washington, DC

17 on behalf of

18 AK Steel Corporation

19 Roger K. Newport, Chief Executive Officer, AK Steel

20 Corporation

21 J.B. Chronister, General Manager, Products, AK Steel

22 Corporation

23 Stephen A. Jones and Stephen P. Vaughn - Of Counsel

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1 Wiley Rein LLP

2 Washington, DC

3 on behalf of

4 Nucor Corporation ("Nucor")

5 Rick Blume, Vice President and General Manager, Nucor

6 Dr. Jerry Hausman, MacDonald Professor of Economics at

7 the Massachusetts Institute of Technology

8 Alan H. Price, Timothy C. Brightbill, Christopher B.

9 Weld and Usha Neelakantan - Of Counsel

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11 Skadden, Arps, Slate, Meagher & Flom LLP

12 Washington, DC

13 on behalf of

14 United States Steel Corporation

15 Mario Longhi, President and Chief Executive Officer,

16 United States Steel Corporation

17 Douglas R. Matthews, Senior Vice President of

18 Industrial, Service Center and Mining Solutions, United

19 States Steel Corporation

20 Robert Y. Kopf, General Manager, Revenue Management,

21 United States Steel Corporation

22 Jeffrey D. Gerrish and Nathaniel B. Bolin - Of Counsel

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2 Countervailing Duty Orders:

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5 on behalf of

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7 JFE Steel Corporation

8 Kobe Steel Ltd

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11 Sumitomo Metal U.S.A., Inc., (NSSMUSA), Chicago, IL

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14 Dan J. Dennis, President, NOV Quality Tubing

15 Hideki Hara, General Manager, Trade Administration,  
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2 Rajib Pal - Of Counsel

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4 Steptoe & Johnson

5 Washington, DC

6 on behalf of

7 Tata Netherlands IJmuiden BV

8 Tata Steel UK Ltd.

9 (collectively, "Tata")

10 Chris McCarthy, President and Director, Tata  
11 International (Americas), Inc.

12 Gordon Aubuchon, Executive Vice President, Steel  
13 Warehouse Company

14 Robin Kager, Key Account Manager, Tata Steel  
15 International (Americas)

16 Bruce Malashevich, President, Economic Consulting  
17 Services, LLC

18 Cara Groden, Economist, Economic Consulting Services,  
19 LLC

20 Richard O. Cunningham, Joel D. Kaufman and Thomas J.  
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25

1       Arent Fox  
2       Washington, DC  
3       on behalf of  
4       Turkish Exporters and Producers  
5             Ugur Dalbeler, Member of the Board of Directors of the  
6       Turkish Steel Exporter's Association and Chief Executive  
7       Officer of Colakoglu  
8             Bulent Hacıoglu, Economist, Trade Resources, Company  
9             Matthew Nolan - Of Counsel  
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11       Morris Manning & Martin LLP  
12       Washington, DC  
13       on behalf of  
14       Companhia Siderurgica Nacional  
15       CSN, LLC  
16             Jerry Richardson, General Director, CSN, LLC  
17             James P. Dougan, Vice President, Economic Consulting  
18       Services, LLC  
19             Emma Peterson, Staff Economist, Economic Consulting  
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22       and Mary S. Hodgins - Of Counsel  
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1 Morris Manning & Martin LLP

2 Washington, DC

3 on behalf of

4 Hyundai Steel Co., Ltd.

5 POSCO

6 (collectively, "Korean Producers")

7 Jae Hyun Kim, General Sales and Marketing Manager,

8 POSCO America Corporation

9 Daniel Eversmeyer, Corporate Strategy Manager, POSCO

10 America Corporation

11 Sallie Lee, Account Coordinator, POSCO America

12 Corporation

13 James P. Dougan, Vice President, Economic Consulting

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21 Washington, DC

22 on behalf of

23 BlueScope Steel Ltd

24 John Cross, President, Steelscape LLC

25 Christopher Dunn - Of Counsel

1 Vorys, Sater, Seymour and Pease LLP

2 Washington, DC

3 on behalf of

4 Stemcor USA Inc.

5 Frederick P. Waite and Kimberly R. Young - Of Counsel

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7 Rebuttal/Closing Remarks:

8 Petitioners (Stephen P. Vaughn, King & Spalding LLP; and

9 Jeffrey D. Gerrish, Skadden, Arps, Slate, Meagher & Flom

10 LLP)

11 Respondents (Neil R. Ellis, Sidley Austin LLP)

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## 1 P R O C E E D I N G S

2 MS. BARTON: Will the room please come to order.

3 CHAIRMAN WILLIAMSON: Good morning. On behalf  
4 of the International Trade Commission, I welcome you to this  
5 hearing on Investigations Number 701-TA-545 through 547 and  
6 731-TA-1291 through 1297 Final involving Hot-Rolled Steel  
7 Flat Products from Australia, Brazil, Japan, Korea, the  
8 Netherlands, Turkey, and the United Kingdom.

9 The purpose of these investigations is to  
10 determine whether an industry in the United States is  
11 materially injured or threatened with material injury or the  
12 establishment of an industry in the United States is  
13 materially retarded by reasons of hot-rolled steel flat  
14 products from Australia, Brazil, Japan, Korea, the  
15 Netherlands, Turkey, and the United Kingdom.

16 Schedule setting forth the presentation of this  
17 hearing, notices of investigation, and transcript order  
18 forms are available at the public distribution table. All  
19 prepared testimony should be given to the secretary. Please  
20 do not place testimony directly on the public distribution  
21 table. All witnesses must be sworn in by the Secretary  
22 before presenting testimony.

23 I understand that the parties are aware of time  
24 allocations. Any questions regarding the time allocations  
25 should be directed to the Secretary. Speakers are reminded

1 not to refer in their remarks or answers to questions to  
2 business proprietary information. Please speak clearly into  
3 the microphone and state your name for the record for the  
4 benefit of the court reporter. If you will be submitting  
5 documents that contain information you wished classified as  
6 business confidential your request should comply with  
7 Commission Rule 201.6.

8 Madame Secretary, are there any preliminary  
9 matters?

10 MS. BARTON: No, Mr. Chairman.

11 CHAIRMAN WILLIAMSON: Very well. Will you  
12 please announce our first congressional witness?

13 MS. BARTON: Yes. The Honorable Peter J.  
14 Visclosky, U.S. Representative, First District, Indiana.

15 CHAIRMAN WILLIAMSON: Welcome Representative  
16 Visclosky. You may begin with you're ready.

17 STATEMENT OF THE HONORABLE PETER VISCLOSKY

18 CONGRESSMAN VISCLOSKY: Thank you very much. I  
19 want to thank yourself and all of the Commissioner for again  
20 allowing me to testify today.

21 There's a number of countries involved relative  
22 to hot-rolled steel flat products. It is my understanding  
23 that I will be the only member of the United States Congress  
24 testifying today. Obviously, Congress is in recess for an  
25 extended period of time. I would not be so presumptuous as

1 to suggest that because I am Vice-Chair of the Congressional  
2 Steel Caucus I speak for the Caucus, any members of it or  
3 the United States Congress or its Chair, but do believe my  
4 presence represents continued concerns by many of the  
5 colleagues in the United States Congress. And certainly  
6 would urge the Commission to recognize that material injury  
7 has again occurred in this case.

8 I again am before you, as I have been before.  
9 I'm here again because our trading partners again are  
10 looking for an opportunity given the price of 600 million  
11 excess tons internationally to find some place for it to go.  
12 And my concern is we do have to be alert every day.

13 I find it interesting relative to the country of  
14 Korea that in 2014 the product was oil country tubal goods.  
15 In 2015, there was welded API line pipe. This year it was  
16 cold-rolled steel and corrosion-resisted steel. We have  
17 other issues with the country.

18 Turkey, in 2014, was oil-country tubular goods.  
19 In 2014, it was also rebar. In 2015, it was welded API line  
20 pipe and we have the case today. The countries of Brazil  
21 and Japan are involved. Earlier this year, we had a  
22 cold-rolled steel issue. We have a cut-to-length plate  
23 issue. They are always looking, if you would, as water  
24 looking for a crack in the wall to go through when they're  
25 stopped in one avenue to look for another.

1                   So I do think we're at a moment in time where we  
2                   have to be very careful. We have to be very deliberate and  
3                   therefore do appreciate today you holding the hearing to  
4                   look at the factual underlying basis for this case. And do,  
5                   again, always trust in your careful consideration and thank  
6                   you for it.

7                   CHAIRMAN WILLIAMSON: Thank you. Any questions  
8                   for the Congressman? If not, we want to thank you again for  
9                   coming.

10                  CONGRESSMAN VISCLOSKY: Thank you so much and  
11                  happy birthday.

12                  CHAIRMAN WILLIAMSON: Well, thank you.

13                  MS. BARTON: The Honorable Joe Sbranti, City  
14                  Manger, City of Pittsburg, California.

15                  STATEMENT OF HON. JOE SBRANTI

16                  CITY MANAGER SBRANTI: Thank you and good  
17                  morning. Again, as mentioned, my name is Joe Sbranti, City  
18                  Manager of the City of Pittsburg. And along with me in the  
19                  audience this morning I have with me the long-time and  
20                  current Councilmember Salvatore Evola. Sal and I are here  
21                  this morning specifically because of our opposition to the  
22                  imposition of a tax or a duty on hot-rolled steel.

23                  We take that position because of a long-time  
24                  steel mill located in our city that happens to provide jobs  
25                  to the surrounding communities, in fact, the entire region.



1 We are not alone in this position. Before you somewhere you  
2 will have a document specifically signed by the surrounding  
3 mayors of the cities around us as well as county supervisors  
4 also very concerned about the far-reaching impacts that this  
5 tax could have if it, in fact, does cause closure of that  
6 steel mill, which is USS-POSCO, again, located in Pittsburg,  
7 California.

8 We understand that you're going to hear this  
9 morning from the economists. You're going to hear from  
10 attorneys. I'm sure you're going to hear from experts in  
11 the steel industry. I can't pretend to compete with their  
12 knowledge of the details of the overall industry. I'm going  
13 to speak more specifically about what happens in Pittsburg,  
14 California.

15 I'll try to make it quick, but it's a bit of a  
16 story. I want you to understand that every pound of steel  
17 that comes into Pittsburg in that particular location, at  
18 USS-POSCO, every drop of steel that comes in is used  
19 internally. It is used by that company only, not shipped  
20 out our sold in other ways. It is fabricated and  
21 manufactured into goods by American workers and then shipped  
22 all over North America, again, creating still more American  
23 jobs.

24 I do not believe that, as a result of all that,  
25 that there is an impact or harm done to other folks because

1 of what they're doing at this location.

2 I want to give you a little bit of background on  
3 exactly why it's such an important company to our region.  
4 To do that I have to ask you to bear with me as I go back in  
5 time a bit. In 1903, our city was incorporated. It had  
6 previously been a fishing community and the times were  
7 changing. The fishing industry was moving way at that time.

8 A small steel company at that time located in  
9 Pittsburg on a deep water port saw the opportunity there.  
10 Columbia Steel came to Pittsburg in 1910. Our founders of  
11 our city, our leaders saw the opportunity; saw the  
12 importance of what that steel plant, that steel mill would  
13 provide for Pittsburg for years to come. They therefore  
14 changed the name from what was New York Landing to  
15 Pittsburg, California, naming it after the birthplace of  
16 steel on the other side of the country.

17 Going forward, year after year, generation after  
18 generation, that company, which was later bought out by U.S.  
19 Steel produced products for major projects, such as the San  
20 Francisco Bay Bridge, the Hoover Dam. They provided steel  
21 during World War I and World War II for military purposes.  
22 Generation after generation, they provided those blue-collar  
23 jobs that were so precious to our region that allowed people  
24 to actually earn a decent wage and be able to buy real homes  
25 and put their kids through school.

1                   That went on, as I said, for generations, but by  
2   1986 the market had changed. Things had become more  
3   challenging. At that time, U.S. Steel considered a merger  
4   with POSCO from Korea. It struck me last week as I was  
5   listening to President Obama's speech at the Democratic  
6   National Convention where he said specifically we attract  
7   entrepreneurs from around the globe to build new factories  
8   and create new industry here.

9                   That's exactly what happened in 1986. In 1986,  
10   POSCO came in. They invested \$450 million into that plant  
11   in Pittsburg. They renovated it. They brought in new  
12   technology. And perhaps, most importantly, one of the  
13   things that they did is that they guaranteed the supply of  
14   high quality, reliable steel as a raw material for this  
15   plant to continue to operate for years to come. They've  
16   held up their end of the bargain for the past 30 years.  
17   Those workers have continued to be there year and year out,  
18   continue to have those very valuable jobs. And for a  
19   moment, if you will, just consider a small event that's  
20   happening in our city just next week and bear with me as I  
21   tell you we're going to have a Jamba Juice opening in  
22   Pittsburg, California next week and the Chamber of Commerce  
23   is very excited about it.

24                   They're breaking out the giant scissors, the  
25   yellow tape. There's going to be speeches. The mayor's

1 going to talk. The Facebook pages will light up with  
2 smiling faces because of the possibility of 10 to 15 new  
3 minimum wage jobs in Pittsburgh. Contrast that for a moment  
4 with what we're talking about today.

5 I understand that you have a very challenging  
6 job to do. I understand that there's a fine balance on  
7 trying to create that level playing field, but if you tip  
8 the scale too far 700 jobs in Pittsburgh could be lost. If  
9 you tip those scales too far all of the surrounding  
10 businesses around that area that rely upon, that work  
11 directly with POSCO they will be at risk. These are  
12 American jobs, real American people, real American families  
13 depending upon these jobs.

14 And with that, just to clarify one more time, I  
15 want to mention this is a very diverse community. This is a  
16 community that is blue collar. These are precious jobs to  
17 them. I would ask you to please consider your decision very  
18 carefully. Thank you very much for the time.

19 CHAIRMAN WILLIAMSON: Thank you. Any questions  
20 for Mr. Sbranti. No? We want to thank you very much for  
21 coming so far to talk to us this morning.

22 CITY MANAGER SBRANTI: Thank you.

23 CHAIRMAN WILLIAMSON: Thank you.

24 MS. BARTON: The Honorable Jun-ichiro Kuruda,  
25 Minister for Economy, Trade, Industry, and Energy from the

1 Embassy of Japan.

2 CHAIRMAN WILLIAMSON: Welcome, Mr. Minister and  
3 you may begin when you're ready.

4 STATEMENT OF MINISTER KURUDA

5 MINISTER KURUDA: Thank you. Good morning,  
6 Chairman Williamson and Commissioners. Thank you for the  
7 opportunity today. I'm Jun Kuruda, Minister for Economy,  
8 Trade, Industry, and Energy at the Embassy of Japan here.

9 On behalf of the Government of Japan, I would  
10 like to briefly make two comments on this issue. First, the  
11 Government of Japan is truly interest in and is paying close  
12 attention to this anti-dumping investigation to ensure that  
13 the investigation is aware of its final determination is  
14 made in accordance with WTO rules.

15 Second, I understand that Japanese stakeholders,  
16 such as Japanese steel makers and importers have submitted  
17 their views and opinions on this matter to the Commission.  
18 As such, I respectfully request any outcome of the  
19 investigation duly reflect their views and opinion. Thank  
20 you for your consideration. Thank you.

21 CHAIRMAN WILLIAMSON: Thank you. Any questions  
22 for the Minister? Okay, no? Thank you very much for  
23 coming.

24 MS. BARTON: We will have opening remarks from  
25 Petitioners Alan H. Price of Wiley Rein, LLP.

1 CHAIRMAN WILLIAMSON: Welcome Mr. Price. You  
2 may begin when you're ready.

3 OPENING REMARKS OF ALAN H. PRICE

4 MR. PRICE: Good morning, Chairman Williamson  
5 and members of the Commission. I am Alan Price, counsel for  
6 Nucor Corporation.

7 This case presents an unusually clear instance of  
8 subject imports being a cause of material injury. The case  
9 can be described in just three numbers, 2,500, 105 percent,  
10 and 1.1 million. 2,500 is the number of production workers  
11 in the domestic industry who lost their jobs during the  
12 period of investigation. This represents more than 13  
13 percent of all of the production workers employed in the  
14 United States making hot-rolled steel. What happened?

15 One of the largest steel mills in the country  
16 closed permanently. Two more major mills suspended  
17 operations and have yet to restart. The domestic industry  
18 went from making modest profits to suffering huge losses.  
19 Every indicator of financial health for the industry  
20 declined. This is about as clear evidence of material  
21 injury as there is and at least some of the Respondents have  
22 conceded this. The only question is were subject imports a  
23 cause of that injury.

24 That's where the second number comes in, 105  
25 percent. This is the increase in the volume of subject

1 imports between 2013 and 2015, over this period subject  
2 imports rose by 1.8 million tons. Subject imports started  
3 to climb in the second half of 2013 long before any alleged  
4 problems with domestic supply and the increase accelerated  
5 throughout 2014 long after the alleged problems had  
6 disappeared.

7 Subject imports rose again in 2015 even as  
8 demand declined. In fact, in every month of 2015 subject  
9 imports were substantially higher than in the same month of  
10 2013. By the end of 2015 subject imports had more than  
11 doubled their market share. By any measure, the increase in  
12 volume is significant.

13 Counsel for Tata and their economic consultants  
14 even calculated the lost profits due to the import volume  
15 in 2015 alone. This lost profit, while underestimated, is  
16 more than enough to establish that imports are a cause of  
17 material injury. And while I can't disclose the exact  
18 numbers in their calculation, I can say only in Washington  
19 can someone argue that a loss in profit that is a multiple  
20 of the ITC's own budget is not material to a financially  
21 distressed industry that's closing plants and slashing  
22 workers.

23 So we have injury and we have a significant increase  
24 in imports that even the Respondents demonstrate as  
25 material, but do the subject imports have an impact on

1 domestic prices as well? The third number tells us they  
2 did. Domestic purchasers reported that they shifted almost  
3 1.1 million tons of hot-rolled steel from domestic product  
4 to subject imports because of price. Let me emphasize that  
5 last point, because of price.

6 Respondents have tried to wish this number away,  
7 but they can't. It's all on the record. Subject imports  
8 undersold the domestic product in a majority of comparison  
9 by volume, though even this data underestimates the full  
10 extent of the underselling. The documented shift of 1.1  
11 million tons of purchases because of price confirms that  
12 subject imports had significant price effects.

13 Of course, imports were not the only factor  
14 affecting the domestic industry's performance. Demand fell  
15 by about two million tons across the POI; however, this drop  
16 does not come close to explaining the full decline in  
17 domestic shipments and prices. Lower raw material costs had  
18 an impact, but prices fell much more than raw material  
19 costs. Only the flood of subject imports fully explains the  
20 decline in shipments, prices, and profits.

21 Among their other arguments, Respondents claim  
22 that they do not compete with the domestic industry because  
23 a portion of their sales are to affiliates in the United  
24 States who require dedicated sources of supply. What  
25 they're really saying is that these affiliates have a right



1 to dumped and subsidized imports. Their statements that the  
2 U.S. industry does not and cannot supply these customers are  
3 factually untrue. While their interpretation of the law is  
4 simply wrong.

5 In the end, this is a straightforward case. The  
6 volume of subject imports increased by 105 percent and their  
7 market share doubled to 13.2 percent. Imports took at least  
8 1.1 million tons in sales from the domestic industry because  
9 of price. The domestic industry lost money and it lost  
10 jobs. And if you have any doubts that the subject imports  
11 were a cause of material injury to the domestic industry  
12 there are 2,500 unemployed steel workers who can tell you  
13 that they are. Thank you.

14 CHAIRMAN WILLIAMSON: Thank you, Mr. Price.

15 MS. BARTON: We will have opening remarks from  
16 Respondents, Donald B. Cameron, from Morris Manning &  
17 Martin, LLP.

18 CHAIRMAN WILLIAMSON: Welcome Mr. Cameron. You  
19 may begin when you're ready.

20 OPENING REMARKS OF DONALD B. CAMERON

21 MR. CAMERON: Don Cameron, on behalf of  
22 Respondents.

23 The record before the Commission in this  
24 investigation is very different from that of the recent  
25 investigations of corrosion resistant and cold-rolled steel.

1 And those differences have important implications for the  
2 Commission's causation analysis. Simply put, the record  
3 does not support the proposition that the domestic  
4 industry's problems in this case are attributable to subject  
5 imports of hot-rolled.

6 I would ask you to consider six specific points.  
7 First, the domestic industry dominates the U.S. hot-rolled  
8 market. Whether measured against merchant market or the  
9 overall market subject import volumes are small in absolute  
10 terms and do not account for a large share of the market.

11 Second, the decline in domestic production and  
12 shipments of hot-rolled over the period of investigation is  
13 attributable to declining production of captive cold-rolled  
14 and corrosion resistant steel and declining demand of  
15 hot-rolled in the pipe and tube sector, primarily due to the  
16 collapse of the OCTG market. Captive production represents  
17 60 percent of domestic hot-rolled production. Captive  
18 production and shipments declined with declines in  
19 production of cold-rolled and corrosion.

20 The Commission has already addressed any injury  
21 due to import competition in those markets through its  
22 affirmative determinations in cold-rolled and corrosion,  
23 which should result in increased import -- I mean should  
24 result in increased corrosion resistant and cold-rolled  
25 production and prices leading to increased hot-rolled

1 production and prices. And secondly, any injury in those  
2 downstream markets was from imports of cold-rolled and  
3 corrosion, not from subject imports of hot-rolled.

4 Subject imports of hot-rolled peaked in January  
5 of 2015 and declined precipitously thereafter. The volume  
6 of subject imports is not significant in the context of a  
7 hot-rolled steel market of 60 million tons, larger than  
8 cold-rolled and corrosion combined. The volume of imports  
9 become even less significant when you take into  
10 consideration that 47 percent of all subject imports enter  
11 the West Coast. There are only two domestic hot-rolled  
12 mills in the West Coast and they account for a small  
13 fraction of domestic production.

14 As you will hear from our witnesses later today,  
15 the domestic industry cannot supply the West Coast demand of  
16 mills located thousands of miles away from the Midwest and  
17 South. This is confirmed by the domestic industry  
18 questionnaires, which show that only 5 percent of U.S.  
19 shipments are to customers more than a thousand miles away.  
20 Most of these hot-rolled imports that enter the West Coast  
21 consist of captive supply to USS-POSCO, UPI, and Steelscape,  
22 West Coast producers of cold-rolled, corrosion, and tin mill  
23 products.

24 This captive supply does not compete with  
25 domestic producers in any meaningful sense. Cold reducing

1 mills require a dedicated supply of hot-rolled and cannot  
2 afford to rely on merchant market suppliers who are their  
3 direct competitors in the downstream markets. And as you  
4 will hear from POSCO's witness, U.S. Steel has a contractual  
5 right to supply up to half of UPI's requirements and has  
6 elected not to do so. And I might add, in response to Mr.  
7 Price's contention that we are asking for a special legal  
8 finding with respect to captive consumption, we're not; but  
9 it is an economic factor that needs to be taken into  
10 account.

11 The issue of dedicated supply is real. Why do  
12 you think the captive supply provision is in U.S. law,  
13 alright? It's an economic issue that actually should be  
14 analyzed by the Commission.

15 Fifth, not surprisingly, in view of the  
16 foregoing, the staff variance analysis confirms that volume  
17 effects do not account for the domestic industry's decline  
18 and profitability, rather almost all of the negative  
19 variance in profitability is attributable to declining  
20 market prices for hot-rolled and lost sales volume.

21 And finally, sixth, the decline in market prices  
22 simply cannot be attributed to subject imports. Unlike  
23 cold-rolled and corrosion, imports of hot-rolled have not  
24 undersold the domestic producers. To the contrary, subject  
25 imports were priced higher than domestic hot-rolled in over

1 60 percent of the quarterly comparisons. Consequently,  
2 subject imports have not depressed or suppressed prices.  
3 There's no price suppression because prices followed the  
4 steep decline in raw material prices. You've looked at this  
5 in cold-rolled and corrosion.

6 As shown in staff report, price declines in the  
7 U.S. market were less severe than the price declines  
8 worldwide. There's no price suppression. Subject imports  
9 didn't prevent price increases that would've occurred.  
10 Falling costs and falling demand in 2015 precluded price  
11 increases and the subject imports oversold domestic  
12 production. Thank you. And we appreciate your time.

13 CHAIRMAN WILLIAMSON: Thank you.

14 MS. BARTON: Will the first panel please come  
15 forward.

16 CHAIRMAN WILLIAMSON: We want to welcome the  
17 panel. And Mr. Price, you may begin when you're ready.

18 STATEMENT OF PAUL ROSENTHAL

19 MR. ROSENTHAL: Mr. Chairman, I'll start, Paul  
20 Rosenthal, Kelley Drye on behalf of ArcelorMittal USA, and  
21 summarizing our main argument this morning on behalf of the  
22 domestic industry.

23 First, with respect to cumulation and  
24 competition, all the requirements are satisfied for  
25 cumulation. The U.S. products and subject imports compete

1 head-to-head in all geographic areas and for all hot-rolled  
2 customers.

3 Slide 3 is taken directly from the staff report  
4 and demonstrates the interchangeability of the subject  
5 imports and U.S. products. Now Respondents claim you  
6 shouldn't cumulate or find injury, for that matter, because  
7 subject imports allegedly don't compete with some specialty  
8 products. Confidential Slide 1 shows that U.S. products  
9 sold the so-called specialty products and in many instances  
10 sell them at even larger volumes than the Respondents.  
11 That's taken from your staff report.

12 In fact, domestic products compete with the  
13 subject imports across the full range of hot-rolled steel  
14 and Slide 5 drills home this point. The share of the market  
15 not supplied or able to be supplied by U.S. producers is  
16 microscopic. Slide 6, also directly from the staff report,  
17 shows that U.S. producers and subject imports from each  
18 country overlap in virtually all geographic markets.

19 Interestingly, when Respondents discuss  
20 geographic overlap they focus on ports of entry and ignore  
21 where the sales actually take place, which is all over the  
22 United States. And note, because you won't hear this from  
23 the Respondents, 9 out of 10 domestic producers sell on the  
24 West Coast.

25 I refer you next to confidential Slide 2 in your

1       handouts, which make clear that U.S. shipments and the  
2       subject imports are sold in the same channels of  
3       distribution.

4               Turning to volume, at the outset of the  
5       discussion, it's worth noting that the Respondents do not  
6       contest that the captive production provision of the law  
7       applies here, so our discussion of the data will focus on  
8       the merchant market.

9               The subject imports have been significant and  
10       grew dramatically from 2013 to 2015, increasing from 1.7  
11       million tons to 3.5 million tons, an increase of 100  
12       percent. Mr. Cameron claims these are insignificant numbers  
13       and you should disregard them. He's wrong and I'll be happy  
14       to repeating that sentence as we go through the rest of my  
15       statement.

16               Imports were on track to hit over 4 million tons  
17       before the trade cases were filed in mid-2015. While  
18       Respondents focus on the month of January in that year as  
19       the peak volume, the peak year volume was the entire year  
20       2015, exactly when the industry lost significant market  
21       share and profits. This import surge, as you know, took  
22       place as demand was dropping. Subject import market share  
23       grew dramatically, jumping from 6.0 percent to 13.2 percent  
24       of the merchant market in 2015. That's a lot.

25               Price, Slide 13, again from the staff report,

1 shows that price was rated as very important by purchasers.  
2 No surprise here. Indeed, while Respondents rest much of  
3 their case on the claim that subject imports were not  
4 responsible for underselling the domestic producers your  
5 records shows otherwise.

6 This chart shows that the majority of the  
7 imports, by volume, undersold the domestic industry. I'm  
8 going to repeat that. By volume, there were more imports  
9 underselling than overselling the domestic industry.  
10 Respondents willfully ignore this important fact. And as  
11 the Commission recognized, a mix pattern of underselling in  
12 a price sensitive market supports an affirmative injury  
13 determination.

14 That said, we think that the data collected  
15 actually understates the amount of underselling because of  
16 the level of trade issue with a major importer. If you  
17 actually exclude that anomalous data, as we do in  
18 confidential Slide 3, you can see that the subject imports  
19 undersold the domestic producers when analyzed on a  
20 quarterly basis and that there's even a greater degree of  
21 underselling by volume.

22 Now in the early days of my career, I used to do  
23 a great deal of work with my friends at Economic Consulting  
24 Services, who are sitting on the opposite side of the room  
25 from me today. And one of the things they taught me is that



1       whichever producers are gaining market share in a price  
2       sensitive industry must be the ones that are underselling.  
3       And here, it is the subject imports who are gaining market  
4       share at the domestic industry's expense.

5               By the way, that's exactly what the purchasers  
6       have told you here. This slide from the staff report  
7       indicates that 30 purchasers reported shifting to subject  
8       imports. Twenty-four of them reported that the prices of  
9       the subject imports were lower than those of the domestic  
10      industry. And quite significantly, 18 of those purchasers  
11      admitted switching to the subject imports because of price.

12             According to the staff report, these sales  
13      accounted for about 1.1 million tons of imports. It is  
14      remarkable that such a high number of purchasers admitted to  
15      buying subject imports because of price. These admissions  
16      against interest for a large majority of purchases is  
17      irrefutable evidence of the primacy of price and ultimately  
18      of causation.

19             Of course, the Korean Respondents claim that the  
20      evidence on the purchasers shift to the subject imports is  
21      wrong, but if you look at confidential Slide 4, you'll see  
22      that their argument has no basis. I'll give you a second to  
23      look at that.

24             The next slide is confidential Slide 5, which  
25      shows how hot-rolled steel prices have plummeted since third

1     quarter of 2015. Of course, Respondents assert that  
2     hot-rolled prices were just following the raw material price  
3     declines, an argument you've heard in the two previous  
4     cases. But as Slide 20 shows, the declines in domestic  
5     producer net sales values per ton greatly exceeded the raw  
6     material price declines from 2014 to first quarter of 2016.

7             We think this, combined with extensive evidence  
8     of purchasers requiring domestic producers to lower their  
9     prices to meet import competition, supports a finding of  
10    price depression. Some Commissioners have not found price  
11    depression in the recent cold-rolled and corrosion resistant  
12    cases, but I urge you to take a close look at the record  
13    here on that topic.

14            Turning to impact, these volume and market share  
15    increases by lower-priced subject imports have lead to  
16    devastating injury to the domestic industry. Slide 22  
17    summarizes the key trade indicators, all of which declined  
18    substantially. Production, capacity utilization, shipments,  
19    the whole market value issues, the domestic shipment AUVs  
20    all declined. And then if you look at the financial  
21    indicators they also declined precipitously, \$1.5 billion in  
22    gross profits in the industry were lost, operating and net  
23    income each dropped by \$1.4 billion. The next slide graphs  
24    these financial losses.

25            By any measure, gross profit, operating profit,

1 net profit these losses are enormous. And by the way, while  
2 ratios aren't everything, in this particular case the ratios  
3 are downright ugly too. The operating profit to sales ratio  
4 was a negative 6 percent in 2015 and the net profit fell to  
5 an even greater degree.

6 Of course, Respondents claim that everything was  
7 fine in 2014 when imports were increasing. In fact, though  
8 your record will show you that in 2014 U.S. producers lost  
9 almost a billion dollars in revenue due to increased subject  
10 import volumes. The lost revenue wasn't enough to cause  
11 absolute losses, but depriving the industry of a billion is  
12 injury, even if no red ink is associated with it in that  
13 particular year.

14 And by the way, by the fourth quarter of 2014  
15 the large volumes began to put increased pressures on price  
16 leading to the inventory overhang and price collapse that  
17 became more evident in 2015. In that year, the industry  
18 lost an additional \$900 million because of lost volumes, for  
19 a total loss in revenue on volume alone of almost \$2 billion,  
20 massive red ink flowed.

21 Another unfortunate result of the low import  
22 surge was the closure of several domestic facilities as  
23 shown on Slide 27. These closures, along with the  
24 volume-related wage reductions that began in 2015 were  
25 manifested in job losses and lost wages, as the staff report

1 shows you. Over 2,500 jobs were lost. Loss wages of \$50  
2 million were recorded in the first quarter of 2016 alone.  
3 And as the contracts negotiated months ago at very, very low  
4 prices caused by subject import continue, the injury  
5 continues into 2016.

6 Even Respondent's counsel cannot deny that the  
7 domestic industry was injured in 2015. And though he  
8 professes not to know what caused the injury, here's a  
9 spoiler alert, the subject imports did it.

10 We turn to causal nexus. Slide 31 shows that  
11 subject imports increased share of the commercial market  
12 directly displaced U.S. producers. And contrary to  
13 Respondent's claims, non-subject imports are not the cause  
14 of the domestic industry's share loss. Respondents claim  
15 that the injuries suffered by the domestic industry was  
16 caused by decline and demand, but did imports decline in the  
17 face of reduced demand? Of course not, just the opposite.  
18 Subject imports continued at a rapid rate of growth even as  
19 demand was declining.

20 Now we're not going to argue that slowing demand  
21 was not a problem, but imports did not adjust to that decline  
22 in demand. In fact, decline in demand made the domestic  
23 industry more vulnerable and there rising imports made  
24 things even worse, much worse.

25 The statute directs you to look at the industry

1 in the context of the business cycle. And in this business  
2 cycle it is obvious that the growth in imports was  
3 contrasting dramatically with the demand decline. Something  
4 was very much out of kilter here. The imports continued  
5 their surge despite the decline in demand. That is what  
6 crushed the domestic industry.

7 To the extent one needs more confirmation of  
8 causality, Slide 35 shows what happened to subject imports  
9 once the cases were filed. And not surprisingly, when  
10 subject imports receded from the market as a result of the  
11 cases, the domestic industry benefited on a one-for-one  
12 basis. Non-subject imports, by the way, did not.

13 I've addressed most of the Respondent's  
14 arguments already, but I'd like to address a couple more.  
15 And before doing so, I note that the Respondents have  
16 abandoned the claim that it made in the previous two cases  
17 that severely cold weather in the first quarter of 2014  
18 caused the import surges. To paraphrase Bob Dylan, you  
19 don't need the weatherman to know which way the imports blow  
20 and they've blowing here very strongly in every one of these  
21 products.

22 You also don't need to be a steel industry  
23 expert to know that Respondents other arguments are equally  
24 baseless. Respondents claim that U.S. producers can't or  
25 don't compete on the West Coast and that subject imports

1 focus on certain port areas. This next slide derived from  
2 information in the staff report shows that U.S. and subject  
3 imports compete in all regions of the country. And very  
4 tellingly, the staff report contains evidence of numerous  
5 domestic sales to a multitude of customers on the West  
6 Coast.

7 I hope you'll ask questions about how many  
8 customers the domestic industry has on the West Coast  
9 because you won't ever hear those answers in an accurate way  
10 from the Respondents.

11 Confidential Slide 6 addresses some of the  
12 claims with respect to so-called affiliated U.S. producers.  
13 As a matter of law, affiliation is not an excuse or  
14 explanation for buying dumped imports. That's one area on  
15 which Mr. Cameron and I agree. As a matter of fact, though,  
16 the domestic industry can and does, even now, supply those  
17 affiliates. The reason it has not sold more recently is  
18 because of the low price of subject imports.

19 In this business, price is thicker than  
20 affiliation or water or land transportation. There's no  
21 reason, other than subject imports low price, why the  
22 affiliates aren't buying from domestic producers.

23 Finally, I'm going to turn to threat for a  
24 minute and say that it's obvious that the subject producers  
25 have massive over capacity. Their excess capacity is enough

1 to supply half of the merchant market demand in the United  
2 States. When you consider that many other markets are  
3 closed to them and they're competing with access capacity of  
4 Chinese producers in third country markets it's easy to see  
5 the great threat posed by the subject imports.

6 Thank you for your attention. I'm going to turn  
7 this over to our first industry witness, Mr. Brett.

8 STATEMENT OF JOHN BRETT

9 MR. BRETT: Good morning. I'm John Brett, Chief  
10 Executive Officer of ArcelorMittal USA.

11 Before becoming CEO of January of this year, I  
12 held a variety of senior positions within the company. I  
13 joined one of ArcelorMittal USA's predecessor companies,  
14 Inland Steel, in 1988, so I've seen the many challenges our  
15 company and our industry have faced over the last 30 years.

16 With all that has changed for the hot-rolled  
17 steel industry the fundamental necessary to sustain our  
18 business generally remain the same. The hot-rolled steel  
19 industry is a high-volume, high fixed-costs industry. That  
20 is true of both domestic producers and foreign producers.  
21 To be successful we have to maintain a large enough volume  
22 to absorb those high fixed-costs. We also have to get a  
23 price that covers our cost and provides a reasonable rate of  
24 return on our investment.

25 A reasonable return is one that permits us to

1     reinvest in the business, service debt, and have profits  
2     left to fund our employee obligations and provide dividends  
3     to our shareholders. When huge volumes of unfairly traded  
4     imports disrupt the market with low price offerings, the  
5     volumes and prices necessary to achieve those reasonable  
6     returns become more difficulty, if not impossible, to  
7     attain.

8             Unfortunately, that is precisely what the  
9     domestic hot-rolled steel industry has faced over the last  
10    couple of years, a surge in hot-rolled steel imports from  
11    the subject countries at prices that took sale volume and  
12    market share and eventually lead to a collapse in U.S.  
13    market prices. This surge did not occur because the  
14    domestic industry could not produce the hot-rolled steel  
15    required by the market or delivered to certain parts of the  
16    country.

17            Contrary to some the claims you may have heard  
18    from the foreign producers, the domestic industry generally  
19    can and does produce all the hot-rolled steel products that  
20    the market demands. In fact, ArcelorMittal USA produces the  
21    widest range of hot-rolled steel products in the industry.  
22    We sell our products to service centers and end users for  
23    numerous applications, including the automotive, pipe and  
24    tube, appliance and construction industries.

25            We are one of the global industry leaders in the



1 development and production of high strength, low alloy and  
2 ultra high strength steels. We also produce X-70 hot-rolled  
3 steel, including heavy gauged X-70 for large, diameter line  
4 pipe. We sell our hot-rolled steel products across the  
5 United States, including the West Coast. There is no  
6 question that the domestic industry can supply the market.  
7 The subject import surge of hot-rolled steel was caused by  
8 foreign producers shipping their excess capacity to the  
9 United States at low prices in order to fill their mills at  
10 our expense.

11 In 2014, when demand was growing, the subject  
12 imports undercut our pricing, increasing their shipments by  
13 1.4 million tons over 2013 levels. This not only robbed the  
14 domestic industry of the demand growth in 2014 it  
15 oversupplied the market going into 2015. As the demand for  
16 hot-rolled steel fell in 2015, the subject import volumes  
17 actually increased further. They captured increased market  
18 share by offering lower pricing fueled by dumping and  
19 subsidies. As a result, hot-rolled steel pricing collapsed  
20 completely in 2015 as domestic industry attempted to  
21 maintain production and sales volumes in a market that was  
22 super saturated with low priced, dumped, and subsidized  
23 imports.

24 The immediate consequences of the domestic  
25 industry's lower shipment volumes and prices were low

1 revenues and prices. Well, one might debate what might  
2 constitute a reasonable return on investment for this  
3 capital-intensive industry, it is clear that the domestic  
4 industry is not currently earning it. In 2015, domestic  
5 hot-rolled steel industry lost money on a gross income,  
6 operating income, and net income basis.

7           The unfairly traded subject imports not only  
8 injured the domestic hot-rolled steel industry in 2014,  
9 2015, and well into 2016, they will also cause serious,  
10 long-term consequences if relief is not provided by these cases.  
11 In 2015, a number of producers, including ArcelorMittal USA,  
12 were forced to close idle production facilities. In  
13 March of this year we idled an 84-inch haster mill in  
14 Indiana Harbor where 300 steel workers were employed.

15           We've committed to find jobs elsewhere for them,  
16 but this is another indication of the injury we have  
17 suffered due to the unfairly traded imports. The lack of  
18 profitability today threatens the viability of our company  
19 and the industry as a whole in a number of ways. It forces  
20 us to defer necessary maintenance, creating a greater burden  
21 on our operations in the future.

22           In capital investments necessary to improve our  
23 product offerings, quality, and efficiency are postponed or  
24 cancelled. For those expenses or investments that cannot be  
25 put off poor financial performance means higher financing

1 costs to pay for. That poses a greater risk to our  
2 financial health and delays the timeline for any recovery.

3 Finally, because of our declining profitability,  
4 payments into programs that benefit our workers and retirees  
5 are also affected. The preliminary duties on hot-rolled  
6 steel have begun to provide some relief to domestic  
7 industry, but we continue to struggle in 2016. Without  
8 final orders in this case additional injury to the industry  
9 will undoubtedly follow.

10 ArcelorMittal USA very much appreciates the  
11 relief we received on cold-rolled and corrosion resistant  
12 products to date and I urge you to provide the same relief  
13 for our hot-rolled steel products as well. Thank you.

14 STATEMENT OF MARIO LONGHI

15 MR. LONGHI: Good morning Mr. Chairman,  
16 members of the Commission. Mario Longhi, president and  
17 Chief Executive Officer of United States Steel Corporation.  
18 I would like to begin by thanking you on behalf of our  
19 company and thousands of employees for the affirmative  
20 determinations that you have reached thus far on cold-rolled  
21 and corrosion-resistant steel, and for all of the hard work  
22 that the Commission has put into these critical cases.

23 I truly cannot overstate the significance of  
24 these cases for our company, our workers and our future.  
25 The decisions in the cold-rolled and corrosion-resistant

1 steel cases are an important step in the right direction,  
2 and have already resulted in meaningful improvements in the  
3 market. However, the crisis we have been facing extends  
4 across all of our flat-rolled products, and there is another  
5 remaining and very important piece of the puzzle, hot-rolled  
6 steel.

7 Hot-rolled steel is the product that is the  
8 building block of all of our flat-rolled, as well as much of  
9 our tubular production. It is absolutely essential that the  
10 Commission take actions to address the devastating injury  
11 caused by unfairly traded imports of this product as well.  
12 What happened in the USA hot-rolled market parallels what  
13 you saw in the two earlier flat-rolled cases. Following the  
14 2008 financial crisis, we suffered through years of weak  
15 demand for hot-rolled steel. It looked like the tide was  
16 starting to turn during the period of the investigation, and  
17 we saw a significant recovery in demand particularly in  
18 2014.

19 Having waited years to see demand improve  
20 after the financial crisis, we were largely denied the  
21 opportunity to take advantage of it. Why? Because a  
22 massive wave of unfairly-traded imports from the subject  
23 countries simply overwhelmed this market and destroyed  
24 everything in its wake. From 2013 to 2014, imports of  
25 dumped and subsidized hot-rolled steel from the subject

1 countries increased by over 1.4 million tons, an increase of  
2 over 80 percent in one single year.

3           Despite the market being clearly over-supplied  
4 and a dropping energy tubular demand in 2015, subject  
5 imports continued to pour in at even higher levels than  
6 2014. Overall, from 2013 to 2015, unfairly traded imports  
7 from the subject countries increased by over 1.8 million  
8 tons. The domestic industry lost all of those sales, and  
9 saw its market share decline by more than seven percentage  
10 points as a result.

11           Prices began to fall sharply beginning in the  
12 middle of 2014, when demand was outstanding and had fallen  
13 by well over \$200 per ton by June of 2015. Our sales,  
14 shipments, production and capacity utilization were all down  
15 dramatically over this period. I understand that the other  
16 side has suggested these difficulties were caused by falling  
17 demand in 2015. But if demand was the problem, what  
18 possible justification was there for subject producers to  
19 increase shipments by nearly two million tons over the  
20 period, all at the expense of the domestic industry.

21           Please keep in mind that prices started  
22 falling by mid-2014, when demand was by far at its best  
23 level in years. It is simply not credible to suggest that a  
24 surge of nearly two million tons of unfairly traded  
25 hot-rolled was not a material factor in the price decline.

1 The result of all this was that our industry literally  
2 hemorrhaged money. It suffered operating losses of over  
3 \$650 million, and net losses of over \$850 million in 2015,  
4 as the subject imports continued to surge and take market  
5 share from us.

6 Those are simply staggering losses and are not  
7 in any way sustainable. The sheer devastation caused by the  
8 subject imports forced our companies to take actions that no  
9 company wants to take. At U.S. Steel, the flood of dumped  
10 and subsidized imports of hot-rolled and other finished  
11 products forced us to permanently shut down our blast  
12 furnace at Fairfield, Alabama, a mill which had been making  
13 steel for more than 100 years, and to permanently shut down  
14 coke-making operations at our Granite City Works, as well as  
15 Gary Works facilities.

16 We also continued to have two blast furnaces  
17 in our hot-strip mill idle at our Granite City Works. We  
18 have had to lay off thousands of our hard-working employees.  
19 The impact to these employees' lives, their families and  
20 their communities has been devastating. We would love to be  
21 able to restart our blast furnaces and hot strip mill at  
22 Granite City, and put our employees there back to work.

23 But we need sustainable market conditions to  
24 justify that step, and meaningful trade relief is absolutely  
25 critical for that to occur. With three flat-rolled cases

1 being considered at the same time, the Commission has had  
2 the chance to see the effects of unfair trade throughout the  
3 steel market. In the present case, you have heard from  
4 firms that purchased hot-rolled steel and converted into  
5 downstream flat products.

6               These firms utilize hot-rolled as a feedstock  
7 for their production, but also faced the effects of unfair  
8 trade on their own downstream operations. It is our hope  
9 and belief that by addressing unfair trade in all of these  
10 three areas, you will create a level playing field for  
11 everyone. Firms can purchase hot-rolled in a fair market  
12 and get a fair return for the products they sell. That is  
13 really what the trade laws are meant to achieve.

14              At stake is the very future of our industry,  
15 an industry that is vital to this country's national  
16 security and infrastructure needs. At U.S. Steel, we're  
17 doing the right things to improve our efficiency and  
18 productivity, to create value and lower our costs through  
19 our Carnegie Way Initiative. Our employees have made  
20 incredible progress in the face of unfair circumstances, as  
21 foreign countries try to export their excess capacity and  
22 unemployment to this country.

23              From the high level OECD Steel Committee  
24 meeting to the U.S.-China Strategic and Economic Dialogue,  
25 to the G-7 Summit, all describe the epic crisis that the

1 steel industry faces. In the U.S., the administration,  
2 including Secretary Liu and Secretary Pritzker, as well as  
3 Congress, recognized that our industry is at its breaking  
4 point and have actively taken steps to make sure that our  
5 laws are adequate to deal with unfair trade.

6 I urge you to fully and effectively enforce  
7 our laws and level the playing field. Grant us the relief  
8 required and validate the original intent of our trade laws.  
9 Thank you, and now I will turn it over to Mr. Newport.

10 STATEMENT OF ROGER NEWPORT

11 MR. NEWPORT: Good morning Chairman Williamson  
12 and members of the Commission. My name is Roger Newport and  
13 I am CEO of AK Steel. Before that, I was chief financial  
14 officer and I held a variety of other finance, sales and  
15 marketing roles within the company over the past 31 years.  
16 On behalf of the 8,500 men and women of AK Steel, I  
17 appreciate the opportunity to comment today on the adverse  
18 impact of unfairly-traded imports of hot-rolled steel in the  
19 U.S. market and on AK Steel's business.

20 In my over 30 years in the steel industry, I  
21 have never seen such a drastic rise in imports, coupled with  
22 a substantial drop in steel prices that we have experienced  
23 since 2013. What is so alarming is that these conditions  
24 occurred during a time of economic recovery and relatively  
25 robust demand for steel, especially in the automotive



1 market.

2                   This should have been a time of strong  
3                   profitability and increasing production. Instead, AK Steel  
4                   and the rest of the industry have struggled because dumped  
5                   and subsidized imports have unfairly taken sales volume and  
6                   depressed pricing. Production and commercial sales of  
7                   hot-rolled steel are extremely important to AK Steel.  
8                   Although a large percentage of AK Steel's production of  
9                   hot-rolled steel is consumed internally in the production of  
10                  downstream products, AK Steel also supplies a significant  
11                  volume of hot-rolled steel in the merchant market to steel  
12                  service centers and manufacturers, including automotive  
13                  companies.

14                 In a fair market, our merchant market business  
15                 is profitable, and these sales are very important to AK  
16                 Steel's overall competitiveness and profitability. However,  
17                 if dumped and subsidized imports, distort prices and  
18                 unfairly take a significant volume of sales in the merchant  
19                 market, the lost volume and depressed pricing on remaining  
20                 sales are financially devastating and have a negative impact  
21                 on all other flat-rolled steel products.

22                 This is exactly what happened during the  
23                 Period of Investigation. Dumped and subsidized imports  
24                 surged into the market in 2014, unfairly taking sales and  
25                 depressing domestic steel prices. The dramatic and sudden

1 over-supply caused spot prices to plummet, which obviously  
2 made spot sales more difficult.

3 But these imports also had a severe depressing  
4 effect on our contract prices as they came up for  
5 renegotiation. Ultimately, AK Steel almost entirely exited  
6 the spot market, because it was impossible to sell in that  
7 market without losing money. Our forced exit from the spot  
8 market resulted in lower production, lower capacity  
9 utilization and lower sales volume.

10 The lost volume and depressed pricing for  
11 hot-rolled steel also contributed to the difficult decision  
12 to idle our blast furnace and steelmaking operations at  
13 Ashland, Kentucky in December of 2015. This resulted in the  
14 layoffs of over 600 of our hard-working employees. This  
15 painful step would not have been necessary but for the  
16 depressed merchant market conditions caused by the surge of  
17 dumped and subsidized imports.

18 Despite the intense pressure from imports we  
19 have experienced, AK Steel has continued to make strategic  
20 investments to deliver innovation to serve our customers.  
21 Over the past three years alone, we've made substantial  
22 investments to produce new, innovative steel products to  
23 meet American manufacturing needs. For example, we recently  
24 developed the world's first third generation advanced high  
25 strength steel that will enable automotive design engineers to

1 achieve new levels of lightweighting and fuel economy.

2 In 2014, we acquired Severstal's integrated  
3 steelmaking assets in Dearborn, Michigan. On the site  
4 established by Henry Ford, our Dearborn Works today has one  
5 of the most efficient blast furnaces in the world for its  
6 size. Our Dearborn plant employs approximately 1,400 people  
7 and is capable of producing approximately two and a half  
8 million tons of finished steel per year.

9 When contemplating the purchase of Dearborn in  
10 2014, we were right to bet on the growing demand for steel,  
11 especially for automotive applications. Over the Period of  
12 Investigation, total U.S. light truck and auto sales have  
13 grown by about 12 percent. With demand increasing, there  
14 should have been more than enough business to justify our  
15 over \$700 million investment in Dearborn, and keep all our  
16 facilities running at peak levels.

17 We should have earned sufficient profits  
18 during this portion of the business cycle to better position  
19 ourselves for the inevitable downturn. Unfortunately,  
20 subject imports have unfairly prevented us from taking  
21 advantage of these strong market conditions, and have  
22 prevented AK Steel from receiving the return on this  
23 investment that would have been possible on a fair and level  
24 playing field.

25 I understand that the Commission may have

1 doubts about whether dumped and subsidized imports have  
2 depressed domestic prices. Let me assure that they most  
3 certainly have. Although raw materials have fallen, prices for  
4 hot-rolled steel have fallen much further and much faster.  
5 Raw material prices and market prices do not necessarily or  
6 always move in tandem.

7           For example, the price increases we saw this  
8 spring were not matched by similar increases in raw material  
9 costs. In addition, although merchant market consumption of  
10 hot-rolled declined in 2015, subject imports continued to  
11 increase and take market share and steel prices continued to  
12 plummet. In fact, the volume of imports increased more than  
13 consumption fell.

14           Thus, dumped and subsidized imports made a  
15 manageable demand situation much worse. Due to the  
16 preliminary duties imposed earlier this year, AK Steel was  
17 able to increase prices of hot-rolled steel five times  
18 during the first half of 2016. In December 2015, AK Steel's  
19 minimum spot price for hot-rolled steel was \$420 per ton.  
20 After the price increases in the first half of 2016, AK  
21 Steel's minimum spot price rose to \$620 per ton.

22           The trade cases have dramatically changed the  
23 sales environment from one where prices were falling faster  
24 than raw material costs, to one where prices are rising  
25 faster than raw material costs. In addition, it is clear

1 that prices rose during the first half of 2016 without any  
2 significant increase in demand for hot-rolled steel. What  
3 changed is the imposition of preliminary duties.

4 If the duties are not made final and orders  
5 imposed, imports will rapidly surge back into the market,  
6 with very predictable and devastating effects on volume,  
7 pricing and profitability, in addition to long-term negative  
8 ramifications for the domestic steel industry and its  
9 employees. On behalf of AK Steel and our 8,500 employees, I  
10 urge the Commission to make affirmative determinations in  
11 these investigations.

12 I would also like to thank the Commission and  
13 the staff for their work on this and other flat-rolled  
14 investigations. Effective enforcement of our trade laws to  
15 address unfair trade is extremely important to AK Steel and  
16 the steel industry as a whole. Thank you.

17 STATEMENT OF MARK MILLETT

18 MR. MILLETT: Good morning Chairman Williamson  
19 and members of the Commission. For the record, my name is  
20 Mark Millett, and I am president and CEO Steel Dynamics.  
21 I've been in the steel industry for 33 years and am one of  
22 the three original founding members of the company. To add  
23 to our original Greenfield mini-mill plant in Butler,  
24 Indiana, SDI purchased the assets of Severstal's Columbus,  
25 Mississippi plant in September 2014 for \$1.625 billion.

1                   That purchase added 3.4 million tons of  
2     hot-rolling capacity to the three million tons of  
3     hot-rolling capacity that we already had in Butler.  
4     Unfortunately, we did not come close to achieving our  
5     anticipated return on that investment in 2015, due to the  
6     surge of unfairly-traded flat-rolled steel in the U.S.,  
7     which necessitated our filing of cases on  
8     corrosion-resistant, cold-rolled and hot-rolled products.

9                   I thank you for your affirmative injury votes  
10    in the Core and the Cold-rolled cases. Given our present  
11    finishing capabilities, to produce further value-added  
12    flat-rolled at the two plants, we expected to sell about 3.5  
13    million tons of hot-rolled annually from these two  
14    facilities. The Mississippi plant is the newest flat-rolled  
15    steel mill in the United States, and it is truly an  
16    incredible mill, one of the least expensive most efficient  
17    mills in North America today.

18                  The markets in the southeast and the southwest  
19    are growing markets, with a lot of investment in new  
20    downstream manufacturing, and we're truly excited about  
21    these market opportunities. As you've seen from our data  
22    and I'm sure that of the industry in general, unfairly  
23    traded imports entering the United States have had  
24    devastating volume and price effects on our operations.

25                  Our profits in hot-rolled fell by nearly 50

1 percent in 2015 as a result of a convergence of lower volume  
2 in our mills along with lower prices. At times in 2015, we  
3 operated the Mississippi plant at just 60 percent  
4 utilization rate. This was a direct result from the surge  
5 in hot-rolled imports into the Gulf Coast.

6 First quarter 2015 imports from the subject  
7 countries were more than triple first quarter 2014 imports  
8 at 700,000 tons compared to 200,000 tons. In full year 2015  
9 were double 2014, 1.6 million tons compared to only 800,000  
10 tons. These imports were the direct cause of our low  
11 utilization rates and our associates' lower paychecks. With  
12 demand in 2016 at similar levels as those of 2015, we are  
13 now running both of our hot-rolled plants at better than 90  
14 percent.

15 In 2015, unfairly-traded imports took our  
16 volume and now fair trade has allowed us to take that volume  
17 back. At SDI, we will put our facilities and our people up  
18 against anyone in the world. Therefore, on behalf of the  
19 thousands of SDI employees working in our flat-rolled mills,  
20 we urge the Commission to continue to restore fair trade in  
21 the marketplace, and make an affirmative final injury  
22 determination. Thank you very much.

23 STATEMENT OF RICK BLUME

24 MR. BLUME: Good morning. I am Rick Blume  
25 with Nucor Corporation. As vice president and general

1 manager of Nucor's commercial operations, I am responsible  
2 for all commercial activity for the Nucor Steelmaking Group.  
3 I'm here today to explain how the U.S. hot-rolled industry  
4 has been devastated by a surge of unfairly-traded imports  
5 from seven subject countries.

6 Subject imports more than doubled from 2013 to  
7 2015, reaching 3.5 million tons by the end of this period.  
8 As subject imports started surging in the second half of  
9 2013, and then accelerated in 2014, they stole market share  
10 from Nucor and other U.S. producers.

11 At a time when we should have been seeing  
12 increasing sales from rising demand, we instead lost market  
13 share and our sales were sluggish. We lost significant  
14 revenue as we tried to avoid devastating price cuts. As  
15 imports flooded into the market and built into inventory,  
16 U.S. prices collapsed, falling by \$350 per ton from their  
17 peak in May of 2014 to the end of 2015.

18 But as prices peaked and began to decline in  
19 mid-2014, subject imports kept coming. They increased  
20 volume to all portions of the market, service centers and  
21 distributors, end users, pipe and tube customers and  
22 affiliated customers of foreign producers. This meant that  
23 we lost massive volume to all of these purchasers. Let's  
24 face it. The world market is saturated with excess supply  
25 and the U.S. market is a magnet. In 2015, subject imports



1 continued to surge, even though demand was declining.

2           These imports took additional market share  
3 from U.S. producers. As a result, we had no option but to  
4 slash our prices to stop the hemorrhaging of volume. But  
5 subject import pricing simply dropped lower, forcing us to  
6 cut prices even further and causing massive damage to our  
7 bottom line. I talk to our customers on the phone every  
8 day, and I know that they will and they do switch to subject  
9 imports based on price, and that is exactly what happened  
10 here at the direct expense of the domestic industry.

11           Both our service center customers and end  
12 users import hot-rolled steel. The service centers have  
13 every incentive to buy low-priced imports, as they can then  
14 resell to end users with a larger mark-up. The important  
15 thing to remember is that the pricing and volume harm is  
16 most acute when the service centers decide to purchase the  
17 subject imports instead of our product, not when they resell  
18 them to the end user.

19           With lost volume and collapsing prices,  
20 Nucor's performance plummeted. Our production and net sales  
21 dropped dramatically, and our net income plunged. There is  
22 simply no way to explain this injury absent the surge of  
23 subject imports. They took volume from the U.S. producers  
24 and they caused the brutal price war that collapsed pricing  
25 and resulted in massive losses for the industry.

1           The industry workers in particular are  
2     suffering from the effects of these unfairly-traded imports.  
3     More than 2,500 U.S. hot-rolled steel workers lost their  
4     jobs recently, and thousands more have experienced wage  
5     cuts. There is little question that without the surge of  
6     imports, more U.S. workers would be employed today.

7           Despite our own injury, Nucor has not laid off  
8     a single worker. That's consistent with our long-standing  
9     practice. At Nucor, we think of our entire workforce as a  
10    team. I hope you could have seen that when you visited our  
11    Berkeley plant a few months ago. But even though they still  
12    have jobs, our workers and their families are suffering  
13    every day from the impact of unfairly-traded imports.

14           Their paychecks are tied directly to tonnage  
15    produced. So when unfairly-traded imports captured greater  
16    and greater market share, they take money out of our team  
17    mates' pockets. In addition, ten percent of our pretax  
18    profit is shared with our team mates in a pension-like  
19    profit sharing plan. So when our profits are depressed and  
20    suppressed because of subject imports, they also deprive our  
21    team mates of a reasonable retirement.

22           In conclusion, subject imports hurt our team  
23    mates, our company and our communities. On behalf of Nucor  
24    and my team mates, I urge the Commission to find that  
25    imports of hot-rolled steel from the subject countries have

1 injured our industry and threaten us with further material  
2 injury. Thank you.

3 STATEMENT OF JEFF MOSKALUK

4 MR. MOSKALUK: A belated good morning to Chairman  
5 Williamson and members of the Commission. For the record,  
6 my name is Jeff Moskaluk and I'm Vice President and Chief  
7 Financial Officer of SSAB Enterprises. I'm accompanied by  
8 Glen Gilmore, our International trade supervisor.

9 SSAB operates two Greenfield, state-of-the-art,  
10 flat-rolled, electric furnaces in Montpelier, Iowa and  
11 Mobile, Alabama. Mills allow us to produce either  
12 cut-to-length plate or coiled plate. While cut-to-length  
13 plate is our primary product, coiled plate represents a  
14 significant portion of our output and is critical to our  
15 ability to both balance the mill's output as well as operate  
16 our electric furnaces at higher capacity utilization rates.

17 Within the coiled-plate market, one of the key  
18 areas of focus is coil plate for spiral weld pipe mills.  
19 SSAB America's predecessor company IPSCO operated the first  
20 spiral weld line pipe mill in North America. This is a  
21 product that we know well and our product range and quality  
22 is equal to or better than any company in the world. This  
23 market was very active during your POI as a number of  
24 long-delayed pipeline projects were approved so gas and oil  
25 from new shale areas could move to end user markets.

1           Usually pipe producers check with suppliers  
2     before they bid to pipeline companies on the projects.  
3     Although we bid aggressively for these pipeline projects, we  
4     found before the cases were filed our spiral weld pipe mill  
5     customers were increasingly buying lower-priced 70 coil  
6     plate from producers subject to these cases. We also lost  
7     business in other markets as tubers used dumped coil imports  
8     to try to compete with high pipe and tube import levels.  
9     Like the other coiled plate and sheet producers on this  
10    Panel, we also saw tremendous price erosion for less  
11    demanding coil plate specifications sold to service centers  
12    and other end users.

13           In 2015, we saw significant loss of tonnage which  
14    dramatically impacted the workers in our plants, who depend  
15    on production bonuses for much of their compensation. We  
16    also saw profit erosion as a result of lower utilization  
17    rates and lower prices. The initial imposition of  
18    preliminary duties certainly helped our coil volume and  
19    pricing beginning in the 2nd quarter of this year even  
20    though the pipeline project market has really fallen and the  
21    orders we lost are gone forever.

22           On behalf of our 1300 employees at SSAB Americas,  
23    we ask that you make affirmative determinations in these  
24    investigations. Thank you.

25           STATEMENT OF DOUGLAS R. MATTHEWS

1                   MR. MATTHEWS: Good morning Mr. Chairman and  
2 Members of the Commission. My name is Douglas Matthews and  
3 I am Senior Vice President of Industrial Service Center and  
4 Mining Solutions for United States Steel Corporation. As  
5 someone who has seen firsthand the hard to our workers and  
6 communities from this import crisis I can tell you it was  
7 very difficult to listen to the misrepresentations and  
8 diversions put forward by the foreign mills in earlier  
9 cases.

10                   While I thought their distortion of the truth  
11 couldn't get worse, I was unfortunately wrong. Let's start  
12 with the notion that falling demand for energy tubular  
13 products is the source of our injury. The energy tubular  
14 market is of course only one driver of demand for hot-rolled  
15 steel. Other significant drivers like auto production and  
16 construction have been very strong but the obvious point  
17 here is that Subject Imports increased by 1.8 million tons  
18 from 2013 to 2015. At the same time the domestic shipments  
19 declined by more than that amount. That is why they more  
20 than doubled their market share gaining 7 additional  
21 percentage points of the market, all of which we lost.

22                   I don't mean to be simplistic but if they are  
23 massively increasing shipments and taking nearly two million  
24 tons of sales that we wanted and needed and previously were  
25 making, how could the demand decrease possibly explain that?

1 The fallacy of these claims can also be seen in what  
2 happened in the first quarter of 2016. In the 1st quarter,  
3 our industry gained back market share and saw its sales,  
4 shipments, production and capacity utilization all rise,  
5 notwithstanding the lingering effects of unfair trade.

6 What caused this development? It certainly  
7 wasn't an improvement in energy tubular demand or the  
8 overall apparent domestic consumption which actually fell.  
9 It was the improvement on the supply side of the equation  
10 with the reduction in dumped and subsidized imports from  
11 Subject Countries.

12 Next, please don't be misled by the absurd notion  
13 that Subject Imports were increasing to serve affiliates on  
14 the West Coast. Please remember that increase in volume  
15 supposedly going to serve affiliates on the west coast  
16 account for only a small fraction, likely less than 10  
17 percent of the enormous amount of increased imports we saw  
18 from Subject Countries. The overall increase was massive.  
19 It was massive in the Southwest. It was massive in the  
20 Southeast. It was massive all the way up the East Coast.  
21 Imports to the West Coast affiliates don't even begin to  
22 explain the surge.

23 Our company has long sold large quantities of  
24 hot-roll and other flat-roll steel to customers in the  
25 Western part of the United States including large volumes of

1 hot-rolled steel used by our joint venture in California,  
2 USS-POSCO. Over the period due to the financial struggles  
3 of UPI, we agreed to provide the company with greater  
4 flexibility to source from other third parties. We of  
5 course in no way suggested, encouraged or approved the  
6 purchase of unfairly traded Subject Imports.

7           The fact is that our reduced shipments to the  
8 West Coast were a direct result of unrealistically low  
9 pricing for hot-rolled steel in the market driven by Subject  
10 Imports. We would like nothing more than to resume major  
11 shipments to the West Coast and are well-positioned to do  
12 so. Indeed as we sit here today, U.S. Steel has more than  
13 two million tons of idle hot-rolling capacity. We can  
14 supply all of the grades needed by UPI and others on the  
15 West Coast and have done so historically. Just last week  
16 we entered into an agreement to supply UPI with a hundred  
17 thousand tons of hot-rolled steel at market prices. Not  
18 only do we vehemently disagree with the notion that relief  
19 in this case will result in job losses at UPI or elsewhere,  
20 we see the cases as being major drivers of resurgent  
21 domestic steel activity and employment. With respect to the  
22 testimony of the city manager of Pittsburg, California  
23 while we understand and share his concern for the workers of  
24 UPI, his remarks here today in support of POSCO's position  
25 is misguided and inaccurate.

1                   Finally, let me briefly address the Respondents'  
2           suggestion that imports played no role in the price collapse  
3           we have seen, a claim so astonishing it's hard to know where  
4           to begin. Ignore for a moment the numerous press reports  
5           that blame the market. Ignore the significant underselling  
6           shown on the record. Ignore the purchasers who told you,  
7           against their own interests that they shifted more than a  
8           million tons to Subject Imports because of price. Ask  
9           yourself, does anyone on the planet seriously believe that a  
10          surge of nearly two million tons of unfairly traded Subject  
11          Imports into a market where they claim demand was weakening  
12          would have no effect on pricing? Let me assure you that it  
13          did and these imports were purchased for only one reason,  
14          market undercutting price in substantial injurious volumes.

15                   On behalf of the tens of thousands of American  
16          workers that make up this Domestic Industry, we respectfully  
17          ask that you take action against these unfairly traded  
18          imports by enforcing our trade laws to the fullest extent  
19          possible. Thank you.

20                   STATEMENT OF THOMAS CONWAY

21                   MR. CONWAY: Good morning Chairman Williamson and  
22          Members of the Commission, I'm Tom Conway Vice President of  
23          the United Steel Workers International. Our union is the  
24          largest industrial union in North America with hundreds of  
25          thousands of active and retired members in steel as well as many



1 other members. Steel Worker members produce hot-rolled  
2 steel in approximately 16 facilities and their supporting  
3 operations across the United States including the Steel  
4 Worker Members at UPI in California that has been raised  
5 here this morning.

6 I want to thank you for the opportunity to talk  
7 about the critical importance of the hot-rolled industry  
8 jobs to American Steel Workers and the real harm that's  
9 being caused by the onslaught of the unfairly traded  
10 imports. I want to thank our Steel Worker Members who  
11 traveled here today with me, recognize them for the hard  
12 work and their support and the attention they pay to these  
13 proceedings and what goes on here. They understand the work  
14 that you've done on corrosion resistant and core,  
15 appreciative and very, very aware of what's going on. I  
16 will ask them to stand for a second.

17 In the wake of several waves of predatory steel  
18 imports over the past 30 years and over this whole time our  
19 members and retirees have sacrificed so much to make the  
20 American Steel Industry competitive and now American Steel  
21 Workers are the most productive and competitive across the  
22 world. We have agreed to company consolidations, workforce  
23 reductions, changed our work post rules, tremendous increase  
24 in productivity. We've realigned our labor agreements to  
25 fit the markets that are out there and we have both reduced

1 and frozen wages and pensions and we keep coming back to  
2 this crisis and this latest crisis threatens what we have  
3 all been working so hard to preserve.

4           Steel workers are suffering lost jobs, fewer  
5 hours, lower wages, losses that accelerated tremendously in  
6 the past year. We've cancelled capital expenditures, that's  
7 hurt our ability to remain the world class industry we need  
8 to. Last year U.S. Steel in Alabama permanently closed  
9 their Fairfield facility, leaving about 1100 workers out of  
10 a job entirely. At AK in Ashland, as you've heard, their  
11 steelmaking and their hot strip mill operation there have  
12 been put out at Ashland, Kentucky and leading to about  
13 another 600 layoffs there and just a few months ago Arcelor  
14 idled the 84-inch hot metal in Indiana Harbor.

15           They're all having tremendous impacts in each of  
16 those communities but the situation is particularly dire in  
17 Granite City where U.S. Steel last fall has idled the hot  
18 metal and the furnaces and so about 1400 of a 1700-person  
19 workforce are laid off. These laid-off steelworkers have  
20 now exhausted their unemployment eligibility and it's  
21 desperate down there. It's not like there are a lot of  
22 jobs. So we have people at the union hall ever day  
23 desperately trying to find work, getting help with work,  
24 getting help with food.

25           The Union's food bank is running dry. We have

1 full grown people standing there desperately and they are  
2 watching what's going on here. I'm on the phone with them  
3 daily and they know this case is here. They know this hot  
4 band case is the third leg of an important stool on these  
5 cases and it's crucial to them. These are good,  
6 family-sustaining jobs. These are people who are now faced  
7 with losing, not just a car; they are going to lose homes.  
8 This semester they can't send their kids to school.

9           There's just no excuse for it. There's no reason  
10 for it. Besides this, this is just also about kind of our  
11 National Security. When do we want to become so dependent  
12 that we don't have our own steels in this country and this  
13 erosion continues to go on and on? Your Staff Report  
14 provides some pretty frightening data when you look at the  
15 first quarter of 2016 and the devastating impact that is  
16 import surge of these hot bands. One figure sort of  
17 jumps out. Steel worker wages are down by 50 million  
18 dollars than they were in the first quarter of 2015. That's  
19 a tremendous loss of that magnitude, to these people, their  
20 families and those communities. In fact, these families are  
21 struggling so much now with fewer and fewer and smaller  
22 paychecks. Our pay is also tied to the variability and  
23 performance of the companies, our ability to provide for our  
24 retirees, are linked to the performance in the variability  
25 of the companies and the retirees continue to get hammered

1 as everybody else does as this ripples through. We put them  
2 in VIBAs to provide retiree benefits for them for health  
3 care going forward and it's a continuing struggle. When  
4 they can't get a return on investment they've made in these  
5 plants it just ripples right down to these people. There is  
6 sort of nowhere else for it to go and they depend on the  
7 financial health of the companies in the industries.

8           So this situation isn't going to get better on  
9 its own. China continues to produce steel at a record pace  
10 and I understand this case is not about China but China's  
11 overcapacity continues to flood this global market and force  
12 this here and we have ships sitting in waiting for price  
13 points to moderate a little bit and they're going to come in  
14 like vultures. So what we're doing here today, these are  
15 people who show up to work every day and we appreciate that  
16 you do too but they do their jobs and we're asking that you  
17 guys do your job as well.

18           This hot band case is crucial to these people.  
19 There are so many people suffering. I thank you for the  
20 chance to again appear before this Commission and urge you  
21 to find affirmative for what we need here on this hot-band.  
22 Thank you.

23           STATEMENT OF DR. JERRY HAUSMAN

24           MR. HAUSMAN: I'm Jerry Hausman, Professor of  
25 Economics at MIT where I've taught for over 40 years. I've

1       been involved in the steel industry for over 50 years since  
2       I first worked at Whorton Steel when I was in college. I'm  
3       the last speaker and therefore I have almost no time left my  
4       minder has told me so I invite questions from the Commission  
5       later and then I can tell you what I really wanted to do.

6               Okay, so the first thing is to look at Subject  
7       Import quantity, it went up by 105 percent during the POI.  
8       You can see that especially at the end of 2014 and the  
9       beginning of 2015 we had a spike in demand. I calculate the  
10      price gap which is a percentage of difference between  
11      subject AUV and non-subject AUV where the non-subject AUV  
12      acts as a control and you can see that the trend was  
13      downward again in August 2015 where I cut the data off,  
14      because that's when the case was filed. It was found to  
15      about -18 percent difference.

16             Okay, so volume went up by 105.4 percent, price  
17      came down and when I compare subject to non-subject again up  
18      through August I find subject went down by 32 percent and  
19      non-subject by +20 percent. So the impact of the imports,  
20      it's going to affect profits. I do recognize that energy  
21      demand fell in the 2nd half throughout 2015 but especially  
22      in the 2nd half. Nevertheless, domestic auto sales, which  
23      used a lot of hot-rolled for both autos and light trucks  
24      increased and construction increased and construction also  
25      uses a lot of hot-rolled.

1           Okay, CRU prices fell by 40 percent in a year.  
2 All pricing is affected by CRU prices as well as spot prices  
3 which is what CRU are, but most contracts nowadays have a  
4 CRU term. The last point though is I estimate a lagged  
5 effect of changes in import prices for four months in terms  
6 of overall prices which I will explain further in the  
7 post-hearing brief.

8           Okay, so if we look at hot-rolled prices these  
9 are CRU Midwest prices. Again, we see that right at the end  
10 of 2014 and beginning of 2015 when we had the surge in  
11 imports we also had the really very rapid decrease in prices  
12 and this extended through May of 2015 because of this  
13 4-month lag. Okay, in terms of causation, volume, prices,  
14 profits and employment and the CRU price went down by 199  
15 dollars per short ton while U.S. Producers' raw material  
16 cost fell by only 83 dollars per ton.

17           So on this next graph I calculate the metal  
18 margin for the largest mini mill company in the world and I  
19 take their hot-rolled price and subtract off their scrap  
20 price and again we can see that even when you take account  
21 of raw materials, the metal margins decrease rapidly and at  
22 that point I will stop.

23           COMMISSIONER BROADBENT: Okay, thank you very  
24 much. You're concluded. We will begin the questioning with  
25 Commissioner Kieff please.

1                   COMMISSIONER KIEFF: Thank you very much. It's  
2                   great to have the breadth and depth of presentations on all  
3                   sides and we especially appreciate the human element of the  
4                   impact on the citizens and the workers and the deep economic  
5                   analysis as well as the practical business analysis and  
6                   legal analysis. In the interest of just trying to highlight  
7                   what I hope are some touch points between the two sides. I  
8                   thought I might ask a couple of questions.

9                   Mr. Rosenthal, you may prefer to speak some about  
10                  these today during our discussion. You may prefer  
11                  post-hearing. Certainly the cultural references in the  
12                  presentation were great. I'm glad at least I got them.  
13                  Sometimes when I teach my classes my students just simply  
14                  come from a different era, they don't. I'm glad there was  
15                  overlap there.

16                 So these questions really are I hope of help to  
17                 both sides to explain why they have the better side, if you  
18                 will, on these issues and these issues are focused  
19                 admittedly on just the imports from three particular  
20                 countries so if we could think about Australia, Japan and  
21                 Korea.

22                 So as I understand it, the rubber's going to hit  
23                 the road or likely is going to hit the road on Australia on  
24                 the basic issue of channels of distribution and geographic  
25                 overlap. If I understand their argument right, they seem to

1 in effect be saying that gosh, they in effect import to an  
2 affiliate so it's a one-to-one matchup. It's a special  
3 relationship. That makes the channel of distribution  
4 different enough that the bulk of the Petitioners' arguments  
5 with respect to the bulk of the imports could all be  
6 compelling, could all lead to an affirmative determination  
7 with respect to most of the imports but could at the same  
8 time lead to decumulation of Australia for both present  
9 injury and threat.

10 I take it that at least one main weakness in that  
11 argument would be that at least in 2015 it looks as though a  
12 significant portion of their imports, something like 20  
13 percent went to non West Coast Ports. So I just invite both  
14 sides in whatever way is comfortable for them to explain  
15 whether you think in effect I am understanding the key  
16 arguments and then why you win on them and if I'm missing  
17 the key arguments, what else is going on with respect to  
18 Australia. Why don't I pause there before talking about  
19 Japan and Korea?

20 I saw a hand in the back and then we'll go to Mr.  
21 Rosenthal.

22 MR. KOPF: Yes, Commissioner Kieff, this is Rob  
23 Kopf with U.S. Steel. I guess I'd like to just try to  
24 answer your question with some fact. As you look at  
25 Australia specifically and their shipments into the U.S.



1 from 2013 to 2015, their shipments to non-affiliate ports  
2 increased 150 percent. If you look at the business their  
3 affiliate is in which is corrosion resistant steel, we have  
4 ample testimony and evidence in the corrosion resistant case  
5 that that market was significantly challenged here.

6 How is it that Australia would actually increase  
7 their shipments significant over the period of investigation  
8 if their affiliate was under duress in the corrosion  
9 resistant market? I guess I will just anticipate your next  
10 two questions and I'd like to lay these two facts out too.  
11 Korea, shipments to non-affiliate ports increased 343  
12 percent from 2013 to 2015. Shipments from Japan to  
13 non-affiliated ports increased by 200 percent to  
14 non-affiliated ports from 2013 to 2015.

15 I find the supply chain route of shipments to  
16 Australia to Houston then out to the West Coast to be quite  
17 interesting. I'd certainly like to talk with our logistics  
18 group about that because it seems like a very indirect route  
19 to get to the West Coast from Australia. I would say the  
20 same thing for Korean shipments into Tampa; I would say the  
21 same thing for Japanese shipments into Houston or Mobile  
22 Alabama.

23 COMMISSIONER KIEFF: Very, very helpful. Let me  
24 just ask, and again I am asking these questions to this  
25 panel recognizing that it's a feature, not a flaw that the

1 other panel can hear them. I hope that we can figure out  
2 where the facts are and then how the facts matter. What if  
3 their response would be "yes sure, there were those effects  
4 of shipments" and I think this is true for if I understand  
5 it as you pointed out all three of the countries I  
6 mentioned, shipments to non-West Coast ports, some more than  
7 others but there's some special relationship driving those  
8 shipments.

9 One question is the factual question, is that  
10 right? And then the other question is the legal question,  
11 even if that were right would that matter so I recognize  
12 those differences so let's just briefly go up to Mr. Blume  
13 and then we'll go over to Mr. Rosenthal.

14 MR. BLUME: Rick Blume, Nucor. One of the points  
15 of context that I think is very important in looking at this  
16 particular question and it's no surprise to me that in fact  
17 as you had pointed out that there was 20 percent going to  
18 non-West Coast ports and you begin to ask yourself what's  
19 the rationale, what's going on in Australia. We know for a  
20 fact that the Australian Automotive Industry is exiting that  
21 region. So this fundamentally means the steel has to go  
22 somewhere.

23 So again, no surprise to me the fact that we're  
24 going to see more and more Australian steel, not only going  
25 to affiliates but to other parts of the U.S. It's why it's

1 critical that they're a part of this case, it's critical why  
2 we need this relief.

3 COMMISSIONER KIEFF: Thank you. Mr. Rosenthal?

4 MR. ROSENTHAL: Commissioner Kieff. I would have  
5 cited Katy Perry in my opening, but I didn't think you  
6 wanted to hear me roar. The legal issues that you I think  
7 want to hear about and I think you may know about truly  
8 relates to whether these affiliation matters at all. In the  
9 one case we've been able to find, in the 1993 hot-rolled  
10 case, the Commission made it clear that affiliation per se  
11 doesn't matter.

12 The one reason why in that case POSCO was  
13 excluded because of affiliation but because the industry at  
14 that time could not supply that particular customer but it  
15 made it very clear that, the Commission made it very clear  
16 that affiliation by itself means nothing and the fact of the  
17 matter is here all of the Domestic Producers can easily  
18 supply the U.S. affiliate on all these products.

19 So they're not saying, they're not saying  
20 credibly that U.S. Industry as assembled here cannot supply  
21 the affiliates of all the countries you mentioned,  
22 Australia, Japan, Korea. That can be done. Therefore and  
23 it would be done but were it not for unfair pricing. You  
24 find out where they're getting their product from after the  
25 imposition of duties and that would answer your question.

1 They're getting it and they can get it from these companies  
2 sitting at the table.

3 MR. PRICE: I'll just add, without repeating,  
4 add this other fact here, which is -- a substantial portion  
5 of the West Coast imports from several of these countries  
6 are actually not going to their affiliates either, so just  
7 because it's going into the West Coast.

8 And just going to Mr. Cameron's, well, '5% of  
9 the domestic shipments ship 1,000 miles' -- well, do the  
10 math. It's 1.25 million tons. It's more than those  
11 companies are actually all shipping into the West Coast. So  
12 it's a lesson of numbers that I think Mr. Hausman put in so  
13 many ways, the percentage -- you can do cruel and unnatural  
14 things to numbers with percentages.

15 And so the U.S. industry competes throughout the  
16 West Coast. Those are not all affiliate sales and there's  
17 been rapid and substantial penetration in the rest of the  
18 market, and I would --

19 COMMISSIONER KIEFF: And the numbers are large  
20 enough that even small percentages are material.

21 MR. PRICE: Right. Exactly.

22 COMMISSIONER KIEFF: And Mr. Brett?

23 MR. BRETT: John Brett, ArcelorMittal. I think  
24 the answer about where are these imports are actually going  
25 is already been taken care of. I want to get back to your

1 question about, 'Is there a special relationship?' I  
2 certainly can't imagine what that is. We are more than  
3 capable of supplying that material.

4 In fact, we have provided trial materials to  
5 some of these affiliates in the past and recently have  
6 quoted business. Unfortunately, we just haven't won any of  
7 that business yet. I think it's important to note that our  
8 company serves over forty customers on the West Coast. So  
9 we are shipping meaningful volumes to the West Coast.

10 COMMISSIONER KIEFF: Thank you very much. My  
11 time is up.

12 CHAIRMAN WILLIAMSON: Thank you. Commissioner  
13 Schmidtlein?

14 COMMISSIONER SCHMIDTLEIN: Thank you. I'd like  
15 to welcome you all back again, and thank all of the  
16 witnesses for appearing here today. Just to follow up a  
17 little bit on this question of the affiliates. And this  
18 might be for Mr. Rosenthal or Mr. Price.

19 So if these companies, the sales that are going  
20 to the affiliates, if they're pursuant to a contractual  
21 arrangement or requirement between them because of their  
22 corporate relationship, how should we consider that? Would  
23 you still argue that the U.S. producers can compete for  
24 those sales? Or are they sort of insulated?

25 MR. ROSENTHAL: Well, first of all, as a matter

1 of law, I'd say, 'Gee, if I could have a contract with, or  
2 form a corporation with somebody overseas, then that would  
3 insulate me from any claims of dumping,' I'd say, you'd be  
4 setting up a whole new cottage industry of joint ventures.

5           You'd say, oh, great, you've got a contractual  
6 relation with a joint venture. Dump away, because then it  
7 won't be considered injury. So I don't think that, from my  
8 point of view, any contractual relationship, any structural  
9 arrangement should suggest that those imports are not  
10 injurious to the domestic industry could otherwise supply  
11 the U.S. joint venture --

12           COMMISSIONER SCHMIDTLEIN: I mean this is --  
13 it's a slightly different context. But in reviews, and I  
14 understand that there we're looking at conditions of  
15 competition and whether or not to decumulate -- the  
16 Commission has recently looked at whether or not there are,  
17 if there's an affiliate relationship and so the imports  
18 coming in to the United States are competing differently.

19           Now I understand there's an argument that I  
20 think the Japanese are making about, that we should be  
21 considering that conditions of competition in determining  
22 whether to cumulate in present, and that's really a  
23 different standard than reasonable overlap of competition.  
24 But sort of on a factual level, isn't it -- it's sort of  
25 similar, right? So the argument would be, there's

1       attenuated competition to such an extent that there's no  
2       causation because there is this corporate relationship  
3       between affiliates. And I'm not talking about long-term  
4       customers.

5               MR. ROSENTHAL: I understand.

6               COMMISSIONER SCHMIDTLEIN: We can ask about that  
7       in a minute. But just this corporate --

8               MR. ROSENTHAL: I understand the argument that  
9       respondents have made about attenuated competition. And  
10      with respect to the extent that the Commission has bought  
11      it, I think you've made a mistake.

12              COMMISSIONER SCHMIDTLEIN: I mean that's what  
13      the Sunset Review --

14              MR. ROSENTHAL: I understand. But I think that  
15      should not be the analysis that is used. And I understand  
16      it's been used by some Commissioners and some Sunset  
17      Reviews. I urge you to reconsider that approach, for  
18      exactly the same reason I've described, which is that is too  
19      easy to get around the laws by just saying, 'Oh, I'm a  
20      Japanese auto company. I'm going to buy from a Japanese  
21      field company. That's are relationship, and we're not going  
22      to hurt anybody by doing so.'

23              Well, as a matter of fact, if the reason why the  
24      imports are coming in, is that they're lower priced and  
25      being dumped and the U.S. industry, which in this instance,

1 can supply the transplant auto companies, and they're being  
2 denied that, I think that is relevant and injurious and with  
3 respect, a not attenuated competition is direct competition.  
4 I'll be quiet about that and now I'll let my colleagues  
5 answer as they see fit.

6 COMMISSIONER SCHMIDTLEIN: Sure. Mr. Gerrish?

7 MR. GERRISH: Yes, Mr. Gerrish on behalf of U.S.  
8 Steel. I'd just like to point out that in the 1993  
9 flat-rolled steel case that's been cited by the respondents,  
10 the Commission specifically found that any of these types of  
11 contractual relationships was not determinative to the  
12 analysis.

13 I think just to echo a point that Mr. Rosenthal  
14 just made, as a policy matter, allowing companies to set up  
15 affiliates and have contractual relationships and say that  
16 that, in some way, gives them a free pass to sell dumped and  
17 subsidized product into the market, that enters the industry  
18 is just wrong as a policy matter.

19 COMMISSIONER SCHMIDTLEIN: Yes, Mr. Millett.

20 MR. MILLETT: Mark Millett, Steel Dynamics. I  
21 think just because you have an affiliate, doesn't mean to  
22 say that the parent companies have to supply them. There  
23 are other companies within the domestic steel industry that  
24 are likewise positioned.

25 We have the techs. I think that they came up in



1 the corrosion-resistant hearings. They buy about 800,000  
2 tons of material to process through their three galvanizing  
3 lines. They don't buy but 3 or 4% from SDI. They buy from  
4 others.

5 COMMISSIONER SCHMIDTLEIN: And I'll ask this  
6 question, and I'll get Mr. Price in just a second. So, I'll  
7 ask this of the afternoon panel as well. But are the  
8 foreign producers in these contexts, the Japanese, are they  
9 supplying other -- they're obviously supplying long-term  
10 customers, some portion of which, right, which is bracketed.  
11 Are there other purchasers of their product that are even  
12 outside of those two categories, are you aware of?

13 MR. VAUGHN: Commissioner Schmidtlein, this is  
14 Stephen Vaughn. Just to sort of, without getting into any  
15 kind of APO information, let's just kind of look at some  
16 numbers.

17 Japan was under order until just a few years  
18 ago, and they came here in a Sunset Review, and they told  
19 the Commission that they had these type of affiliate  
20 relationships throughout Asia and that as a result of those  
21 affiliate relationships, they would not be shipping to the  
22 United States in significant volumes. The Commission agreed  
23 therefore to revoke the order.

24 Now in 2010, they shipped only about 50,000 tons  
25 to the United States. By 2012, that was up to 264,000 tons.

1 And in the last twelve months before these petitions were  
2 filed, if you look at Page IV-10 of the staff report, they  
3 were up to 436,000 tons.

4 So this is very much not a situation where they  
5 are staying with a stable set of customers in a set of  
6 long-term relationships. This is a surge of imports, and  
7 when the industry was faced with this crisis and they had to  
8 decide who were the countries that are really causing the  
9 worst problem, they looked at those numbers and they saw  
10 that in this short period, from 2012 to the last twelve  
11 months before the petitions were filed, Japanese imports had  
12 increased by almost 200,000 tons.

13 That was a situation where they felt like they  
14 had to come in and seek relief. Because they had already  
15 misled the Commission once about their intentions regarding  
16 this market, and there seemed to be no limit as to where  
17 these sales were going to stop.

18 I would also make the point that if you look at  
19 the Asian markets, Japan and Korea and Australia, they are  
20 facing major problems in those markets. They are in the  
21 direct conflict with China, who has this massive oversupply  
22 and who is expanding their own exports at tremendous levels.  
23 And that's why we're seeing them pushed into the United  
24 States, and that's why it's so important that we have  
25 relief.

1                   MR. SCHAGRIN: Commissioner Schmidtlein, this is  
2 Roger Schagrin. I just want to point out, it reminds me in  
3 fashion to answer your question, of a wonderful sentence  
4 from the Supreme Court decision in Euro-dif, which over my  
5 35-year career is only the second time the Supreme Court has  
6 looked at trade case issues.

7                   And in that particular case, both a CIT judge and  
8 three judge panel, the CAFC, said that the Department of  
9 Commerce could not apply the dumping law to situations where  
10 all the sales were made under a toll agreement, rather than  
11 just a sale. And the Supreme Court said that they believed  
12 that if they didn't overturn the lower courts, which they  
13 did by 9-0 in about a six-page decision, that it would only  
14 be a short amount of time until only those who were not  
15 creative would remain subject to these trade laws.

16                  And I would posit that the same thing would  
17 apply here at the Commission. If you were to set a rule and  
18 a precedent that the United States would not apply the  
19 anti-dumping and countervailing duty laws to imports between  
20 affiliated parties who had contracts to supply those  
21 imports, it would only be a short amount of time until we  
22 wouldn't be applying these laws, except to those who weren't  
23 creative.

24                  The second thing is just a factual situation,  
25 the first being the legal. And that is, I think -- and

1 we'll do this in our post hearing briefs -- that when you  
2 look at the biggest increases in the imports into the United  
3 States over this POI, from the foreign producers who  
4 supplied affiliated companies in the U.S., you will see  
5 overwhelmingly that the biggest part of the increase in  
6 those imports were to unrelated customers. The increases  
7 were not to their affiliates.

8 COMMISSIONER SCHMIDTLEIN: In the back?

9 MR. KOPF: Yes, Commissioner Schmidtlein, this  
10 is Rob Kopf with U.S. Steel. I guess I'd like to just add  
11 on to Mr. Vaughn's comment that he made. I was actually in  
12 the room in 2011 listening to the Japanese and the  
13 Brazilians testify in front of then Vice-Chairman Williamson  
14 and Commissioner Pinkert and saying they had no interest in  
15 this market. Within no time of the orders being revoked, we  
16 heard what the Japanese did.

17 I mean we're looking at the Brazilians shipping  
18 into this market 827,000 tons of hot-rolled over the last  
19 two years and 35% of that goes to non-affiliate ports of  
20 entry. This argument that they are just here to service  
21 their affiliates -- they didn't even argue that in 2011. It  
22 was, 'We have no interest in the market whatsoever.' And to  
23 have those two countries selling over 1.7 million tons of  
24 hot-roll into this market now, just five years after the  
25 orders were revoked, I find it to be quite a disingenuous

1 argument.

2 COMMISSIONER SCHMIDTLEIN: So, given that  
3 there's so many steel companies right here, I assume, are  
4 you all -- I would say -- actively, but have you been  
5 engaged with the affiliates of these foreign producers in  
6 the last three years, trying to sell to them?

7 MR. BLUME: Yes, Rick Blume, Nucor. In fact, we  
8 have been. We are currently selling to two of the three  
9 affiliates most notable in this case. We've just recently  
10 been notified that we're qualified to now supply to the  
11 third party, and we can provide more detail in the post  
12 hearing brief.

13 However, being qualified and given the nature  
14 and the importance of this case, we've been told that no  
15 orders will be placed until the outcome of this case is  
16 determined. So it's critical, it's vital that we have  
17 relief from these countries from this dumped steel, so that  
18 we can then go on and participate in their business.

19 And I'd like to add one more point to Mr. Kopf's  
20 comments earlier. I was also at that Sunset Review and  
21 heard the same testimony from the Japanese and the  
22 Brazilians and I believe also the Koreans. Last night, as I  
23 was preparing for today's hearing, I went on the CIMA data  
24 to look to see what the Koreans were doing, these same  
25 people that testified they're not interested in this market,

1 and in fact, in the month of July, 100,000 tons, 100,000  
2 tons of hot-rolled was shipped last month alone. Seems like a  
3 lot of interest in this market.

4 COMMISSIONER SCHMIDTLEIN: I would invite all of  
5 you to put on the post hearing record any evidence you have  
6 of your interactions with the affiliates and your attempts  
7 to try to sell to them. I think that would be helpful. All  
8 right. My time is up. Thank you.

9 CHAIRMAN WILLIAMSON: Thank you. I do want to  
10 express my appreciation to all the witnesses for coming this  
11 morning. See, some purchasers have stated that they were  
12 not able to obtain certain products from domestic producers,  
13 and if you look at Page 2-41 of the prehearing brief, you  
14 can -- I wonder, can you tell me about the domestic  
15 availability of the eight products that are listed there?

16 And how big a part of the market are these  
17 products? And though we've collected data on this for 2015,  
18 and it's in Table 4-7 on Page 4-21 of this staff report, but  
19 I'd like you to tell me about this information from an  
20 industry perspective. I know some of this will probably  
21 have to be done post hearing, but if any you can say now, or  
22 do the rest post hearing.

23 MS. CANNON: Kathy Cannon with Kelley Drye.  
24 Commissioner Williamson, you're going to find that  
25 information in Confidential Slide 1 that we handed out,

1     which is a replication of the staff report which shows the  
2     actual volumes that we sold. So while it doesn't calculate  
3     the share of the market, you can see the numbers in each of  
4     those categories and whether -- they're not very  
5     significant, but to the extent that there was sales by  
6     subject imports, there were also sales by U.S. producers in  
7     virtually every category.

8                     And as you saw in our public slide, the pie  
9     graph that had the little tiny sliver, this one here.  
10    That's the amount that the U.S. producers cannot sell of  
11    these specific products. They were considered when we  
12    looked at that slide.

13                    CHAIRMAN WILLIAMSON: Post hearing you can tell  
14    me what that line means --

15                    MS. CANNON: We can give you that percentage in  
16    post hearing.

17                    MR. PRICE: -- that represents the amount that  
18    couldn't be sold.

19                    MR. ROSENTHAL: That's not a sun spot. What  
20    we're trying to emphasize here is respondents coming in  
21    every case, and they're coming in here, emphasize, 'Oh, the  
22    U.S. industry can't produce all these products, can't --

23                    In fact, we can and the amount of products that  
24    they are claiming we can't produce, and in fact, might be  
25    correct, is that little tiny sliver.

1                   CHAIRMAN WILLIAMSON: Okay, then I guess the  
2 question is, at what price? If there's any evidence on  
3 that, well concerning the --

4                   MR. ROSENTHAL: Well, we can -- if you look at  
5 the staff report, that table that Ms. Cannon just cited, we  
6 are producing all those products except for one, which is a  
7 very tiny, tiny amount of volume, and we are, in some  
8 instances, selling more tonnage than the subject imports.

9                   CHAIRMAN WILLIAMSON: Okay. Thank you. Mr.  
10 Vaughn?

11                  MR. VAUGHN: Yes, Commissioner Williamson, just  
12 to put this in perspective, if you compare your own data and  
13 you look at -- as they left the market from Q1 '15 to Q1 '16,  
14 their market share went down by eight and a half percentage  
15 points over the same period the domestic industry's market  
16 share went up by eight and a half percentage points.

17                  So that's just compelling evidence. They are  
18 not serving some big niche in this market that the domestic  
19 industry can't serve. As they go down, those sales go to  
20 the domestic producers, and that's totally consistent with  
21 what testimony you've heard here this morning.

22                  CHAIRMAN WILLIAMSON: Okay, thank you. What can  
23 you tell me about the Big River Steel Plant, which has, I  
24 guess, invested at 1.5 billion in the new facility? And  
25 given what you've been saying about the conditions of the



1 domestic industry and the impact of imports, why would a  
2 company invest in a new facility like this? I don't know  
3 how much you folks here can address that question? Mr.  
4 Brett?

5 MR. BRETT: John Brett, ArcelorMittal. I  
6 certainly don't want it to be too presumptuous and suggest I  
7 know what exactly what those investors were thinking, but I  
8 do think it's very important to note that those decisions  
9 were made prior to 2014, so if I had to make a guess, they  
10 were looking at a market similar to what you've heard us  
11 say, that was looking very attractive going into that  
12 period, subsequent to that, we see a surge of unfairly  
13 priced traded imports that has turned the market upside  
14 down.

15 CHAIRMAN WILLIAMSON: Okay. Any idea what would  
16 be the anticipated impact of that plant when it comes  
17 online, the company?

18 MR. BRETT: I wouldn't want to speculate.

19 CHAIRMAN WILLIAMSON: Okay. Thank you. If  
20 there's anything post -- oh, sorry.

21 MR. NEWPORT: Roger Newport from AK Steel. The  
22 comment I have is just like we did when we invested in a  
23 company in Dearborn, the decision of investors to invest in Big River was  
24 prior to the fall in pricing. All of those decisions being made prior to  
25 that, and the entities, like our entity, we figured out how to lower cost,

1 too, and still had trouble competing with it.

2 So I think that's an important factor and the  
3 other thing is with Big River Steel coming in, they're  
4 still, they're going to be playing on a level playing field.  
5 And that's really the key factor. It's a level playing  
6 field. We welcome competition. We welcome foreign  
7 competition. It's been in our market for a long time, and  
8 has been in my career. So really it's just making sure it's  
9 fair and level trading.

10 CHAIRMAN WILLIAMSON: Okay. Thank you.  
11 Respondents have provided some documents in support for,  
12 they're arguing that transportation costs and logistic  
13 problems, particularly the shortage of rail cars make it  
14 difficult, for bulk shipment to the domestic compete  
15 effectively on the West Coast. And I know you've already  
16 addressed some of this about the competition, but is there  
17 anything you can say about the logistics issues, the  
18 transportation costs?

19 MR. MILLETT: Mark Millett, Steel Dynamics -- I  
20 would say in the period in question, there was no issue with  
21 rail costs. There was a slight blizzard in early 2014,  
22 which slowed freight down to some degree, but there was no  
23 problem getting material to our customers, and I think one  
24 has to appreciate import steel travels just the same way as  
25 domestic steel.

1                   MR. BLUME: Rick Blume, Nucor. I would also --  
2     in the broader context of that question -- currently we  
3     supply a meaningful amount of volume to the West Coast via  
4     rail. I would also add to the point that Nucor, through our  
5     David J. Joseph Scrap company, we actually have a private  
6     fleet of rail cars, about 2,700 rail cars that we can use  
7     for scrap and outbound steel. So this argument about,  
8     there's some kind of lack of availability, or inability to  
9     get to the West Coast, is a bogus argument.

10                  MR. PRICE: Alan Price. Just to go back and  
11     forth, the ping-ponging of arguments that the respondents  
12     make in these cases is kind of curious because one minute  
13     they're not going to come because the West Coast ports  
14     strike or there are delays in shipping -- ships get delayed  
15     all the time --

16                  The next minute, a little weather incident in  
17     the first quarter of '14 means that you have to have 1.8  
18     million tons of imports. They're pulling factoids out of  
19     place and they use a factoid they want when it's convenient,  
20     and forget the factoid that they don't want, like logistics  
21     problems with imports which they acknowledge all the time  
22     when they want to, which are probably equivalent in nature  
23     to rail. Somehow or another, they just don't put them on  
24     the same table and bring them all up at the same time here.  
25     So this is not a major issue, and again, it's a diversion.

1                   MR. BRETT: John Brett, ArcelorMittal. I  
2                   certainly want to reiterate a couple of points. There was  
3                   never a problem with rail cars. We, too, own rail cars, or  
4                   lease rail cars. And I think it's important to consider the  
5                   facts. We do sell to the West Coast. We sell meaningful  
6                   quantities. Again, I'll reiterate what I said earlier. We  
7                   have over 40 customers on the West Coast. So certainly it  
8                   can be done.

9                   MR. MATTHEWS: Doug Matthews, U.S. Steel. I'm  
10                  going to say that the logistics, you know, we move product  
11                  throughout the United States. We move our raw materials  
12                  throughout the United States. We do it cost-effectively.

13                 But what it really boils down to, when we don't  
14                 win opportunities on the West Coast, it boils down to price.  
15                 It's the imports, subsidized low prices that just are  
16                 unrealistically below the market that causes us not to be  
17                 able to win that business.

18                 MR. MULL: Dan Mull, ArcelorMittal. One other  
19                 point. I thought it was interesting that the Honorable  
20                 Mayor indicated that they were able to ship product all over  
21                 America. I assume a lot of that goes by rail. Those rail  
22                 cars need to go back to the West Coast in some fashion for  
23                 them to ship their material and we're the ones that load up  
24                 product onto those rail cars.

25                 CHAIRMAN WILLIAMSON: Having spent eight years

1 in the Port Authority in New York, New Jersey, I know about  
2 all those goods coming west, so I was curious -- I mean  
3 coming east. So I thought there might be some capacity  
4 going west. Yes, Mr. Gerrish.

5 MR. GERRISH: Jeff Gerrish on behalf of U.S.  
6 Steel. Just very quickly. As Mr. Matthews testified, U.S.  
7 Steel has just reached agreement with UPI to supply them  
8 with 100,000 tons of hot-rolled steel. Clearly the rail  
9 freight expense and rail car availability is not an  
10 impediment to the U.S. producers' shipping to the West  
11 Coast, as that recent agreement indicates.

12 CHAIRMAN WILLIAMSON: While we're on the topic  
13 of UPI, Mr. Matthew, you made some statement about greater  
14 flexibility to UPI, but you wanted to get back into that  
15 market. I don't know to what extent you can clarify that  
16 statement here or post hearing.

17 MR. MATTHEW: We can get into more detail in the  
18 post hearing brief, but I will offer that -- you know, so  
19 the products that are produced by UPI were the subject of  
20 two earlier cases brought this year. Corrosion-resistant is  
21 a major product line, as well as cold-roll for UPI to  
22 produce. And because of the flood of subsidized imports  
23 coming in and driving down the market prices, UPI was  
24 distressed financially to be able to compete in that space.

25 So as to allow UPI the greater flexibility, we

1 allow them to seek third party purchases of input materials,  
2 meaning hot-roll, and we at no time suggested or encouraged  
3 dumped and subsidized material.

4 MR. MATTHEWS: But we can get into more detail  
5 in the post-hearing brief.

6 CHAIRMAN WILLIAMSON: Okay. Thank you for  
7 those answers. Commissioner Johanson.

8 COMMISSIONER JOHANSON: Thank you, Chairman  
9 Williamson, and I would like to thank all the witnesses for  
10 appearing here today. I'd also like to recognize Courtney  
11 Taylor, who's sitting to my left. Courtney is a law clerk  
12 in my office this summer. She's a law student at American  
13 University, and tomorrow is her last day. So this is her  
14 last hearing. She has very -- she's done a great job this  
15 summer in helping me prepare for many hearings, as it's been  
16 a busy summer, and I wish her the best as she moves on to  
17 going back to school.

18 All right. I'd like to begin with a question  
19 for Mr. Newport. Mr. Newport, you mentioned that one reason  
20 that AK Steel purchased the plant in Dearborn, Michigan was  
21 due to an anticipated uptick in auto production in the  
22 United States, and auto production has indeed grown in  
23 recent years. But what about the use of aluminum in  
24 automobile manufacturing?

25 I was in Dearborn on vacation about five weeks

1      ago, and I might have actually driven by your plant. But  
2      while I was in Dearborn, I went on a public tour of the Ford  
3      F-150 truck factory, and Ford mentioned quite a bit about  
4      the transitioning from steel to aluminum, which apparently  
5      began in -- I think in the last two years or so. Could the  
6      transitioning in some auto production from steel to aluminum  
7      be causing injury to the U.S. industry?

8                   MR. NEWPORT: One, welcome to Dearborn.

9                   COMMISSIONER JOHANSON: Oh certainly.

10                  MR. NEWPORT: You were in our plant if  
11      you were at the Ford plant.

12                  COMMISSIONER JOHANSON: I think that was close  
13      by. There were a lot of factories there.

14                  MR. NEWPORT: We're both in the same facility  
15      in the same gate.

16                  COMMISSIONER JOHANSON: Okay, great.

17                  MR. NEWPORT: But yes. In regards to the aluminum  
18      question, from AK Steel's perspective, for the automakers to be able to  
19      produce or make the vehicles, they had to have high strength  
20      steel underneath that aluminum first off. So part of the  
21      lightweighting was the high strength steels that we and  
22      others in the industry make for those vehicles.

23                  Aluminum is a competing product out there,  
24      along with a lot of other products, you know, plastics,  
25      carbon composites, etcetera. There are always competing

1 products. In my 30 years, there's always been competing  
2 products. So it is a product that is -- we'll compete  
3 against. But we're coming up with new grades to compete  
4 against those, to allow people to be able to design vehicles  
5 to make them lighter.

6 We're helping them in how they design the  
7 vehicles and also we're just -- we're making an investment  
8 actually in our Dearborn plant to expand our capabilities to  
9 make more high strength steels. We'll be completing that  
10 actually here later this year, a \$29 million investment to  
11 make high strength steels, and we just recently announced  
12 the third generation of advanced-strength steels with a partner  
13 we've been working with called Nano Steel.

14 So we're coming up as an industry and as AK  
15 Steel, with products to take on aluminum and to address the  
16 lightweighting needs as a company and as an industry. What  
17 we're seeing too, looking at the market data, where they  
18 thought the aluminum penetration would be a few years ago  
19 has dropped drastically, because the steel industry has  
20 found ways to lightweight vehicles and help take the weight  
21 out.

22 Because most of the fuel efficiency that's  
23 needed to meet the CAFC standards is really in the power  
24 train and the engine, and it's really not the outer body or  
25 the steel. But we have found ways to help them to design



1       differently, use our steels differently and not have to  
2       switch to aluminum because of the major capital investment  
3       that is required. It's billions of dollars in retooling and  
4       everything for them to be able to make and switch to  
5       aluminum products.

6                       So we've been -- it's a competing product, but  
7       it's a very, very small piece of the market if you look at  
8       the auto industry, and the auto industry has definitely been  
9       very strong for us.

10                      COMMISSIONER JOHANSON: So even -- let me  
11       follow up real quickly -- so even though this has occurred  
12       during the Period of Investigation, from what I understand?

13                      MR. NEWPORT: Yes.

14                      COMMISSIONER JOHANSON: But you haven't seen  
15       what you would see as an impact, negative impact on --

16                      MR. NEWPORT: Well, there's impact on the  
17       total volume requirements because there's, you know,  
18       aluminum has taken the Ford F-150. We have seen a reduction  
19       --

20                      COMMISSIONER JOHANSON: Which is a very --  
21       which is I think the best-selling vehicle in the U.S.

22                      MR. NEWPORT: It's one of the -- I mean it is  
23       the highest, but also there are others out there that produce  
24       vehicles. They are a piece of a pie, but there's a lot of  
25       other vehicles and trucks that are made out there that have

1 continued to grow also.

2 COMMISSIONER JOHANSON: Yes.

3 MR. MATTHEWS: Doug Matthews, U.S. Steel. So  
4 just to further Mr. Newport's comments, you know, we  
5 actually made a substantial investment back in 2012 at our  
6 facility in Leipsic, Ohio, to be able to manufacture  
7 advanced high strengths steels. We call them the continuous  
8 anneal line, and we've invested a substantial amount of R&D  
9 efforts in creating and inventing the next generations of  
10 steels that allow us to go head to head and compete, you  
11 know, with aluminum.

12 I want to say that the loss of volume during  
13 the Period of Investigation was relatively small I would  
14 characterize it, and we think that going forward that we're  
15 providing the right solutions in steel that will keep the  
16 auto industry predominantly using steel as a primary input  
17 product. I will say that the surge in imports of 1.8  
18 million tons over the Period of Investigation, and the  
19 market share gained by the subject countries, and then  
20 regained by the domestic industry in the first quarter of  
21 this year, had nothing to do with aluminum.

22 COMMISSIONER JOHANSON: Okay, thank you.

23 MR. MULL: Dan Mull, ArcelorMittal. I'd like  
24 to just reemphasize from the automotive standpoint, this  
25 isn't anything really new. We've competed with aluminum

1 over many decades. There's substitutions of materials and  
2 nobody in this room is afraid of competition. We come to  
3 these hearings and it looks as though we're very cooperative  
4 at times of supporting each other.

5 I can guarantee you as soon as we walk out of  
6 this room, we'll walk over each other's bodies for an order.  
7 So I just want to make sure you understand, we're not afraid  
8 of competition. We do compete and we recognize aluminum as  
9 a formidable competitive material and we've competed against  
10 it before and we're finding alternatives for it today.

11 COMMISSIONER JOHANSON: Maybe Mr. Blume, then  
12 Mr. Kopf, and that will be -- then I'll move to something  
13 else. Thank you.

14 MR. BLUME: Thank you. Rick Blume, Nucor. I  
15 guess the one thing that I would highlight, this case is  
16 about hot rolled, and if you look at hot-rolled and its huge  
17 application within the automotive industry in trucks and  
18 other SUV vehicles, most of the hot-rolled goes into the  
19 frame and into the wheels of the vehicles, and therefore you  
20 don't see the impact that you're talking about, specifically  
21 related to the hot-rolled product.

22 I would also go back and it was with great  
23 pleasure that we saw that the F-150, the initial commercials  
24 talked about the aluminum transition. But then soon after  
25 that, they came back and began to highlight the box frame

1       that was made out of high strength steels. So even Ford  
2       recognizes that the role of hot-rolled in vehicle production  
3       will remain an important component to their material  
4       selection.

5                       COMMISSIONER JOHANSON: Okay, thank you. Mr.  
6       Kopf, and then I'm going to move on.

7                       MR. KOPF: Yes, very briefly. Mr. Blume made  
8       some of these points, but the people generally talk about  
9       the F-150 as being this all-aluminum vehicle and that's a  
10      complete misnomer. We just need to point out the fact that  
11      if you were to strip out a lot of these outer body panels  
12      that they have converted to aluminum, the guts of this thing  
13      is still steel and we're very aware of the steel usage in  
14      the F-150 specific to hot-rolled steel.

15                      So this industry has not lost product to  
16      alternate materials, in terms of the hot-rolled steel that  
17      we supplied the automotive industry, which is significant  
18      volumes.

19                      COMMISSIONER JOHANSON: Okay, thank you. If  
20      you look at the staff report at page -- at Figure 3-1 on  
21      page 3-4, there's a graphic depiction of the location of  
22      hot-rolled steel production in the United States, and it  
23      clearly shows that production is concentrated in the Midwest  
24      and South, with only two producers on the west coast. It's  
25      a -- it's a pretty dramatic picture and it certainly caught

1 my eye.

2 Following up on the testimony of Mr. Sbranti  
3 of Pittsburg, California this morning, doesn't or does the  
4 geographic concentration of U.S. production away from the  
5 west coast indeed invite in imports, especially from Asia?

6 MR. SCHAGRIN: Commissioner Johanson, this is  
7 Roger Schagrin. I mean, and I think this is something where  
8 Dr. Hausman can probably add, you know, the basic economics  
9 we teach you if you're out of whack in terms of supply and  
10 demand, like if there's shortages on the west coast because  
11 there's only two producers, man, those two west coast  
12 producers ought to be doing great, and we invite the  
13 Commission to look at the results of those two west coast  
14 producers, and we'll do that confidentially in our  
15 post-hearing brief.

16 I think it demonstrates that, you know, those  
17 two west coast producers weren't doing extremely well  
18 because they were in a market without a lot of competition.  
19 I think each of these industry people can talk about the  
20 fact and we'll put the information in for Steel Dynamics  
21 confidentially. Their shipments in the west coast, which  
22 were very, very substantial in 2013, absolutely plummeted as  
23 the unfairly-traded imports flooded into the west coast.

24 So their shipments everywhere were declining  
25 as these imports increased. But they went down dramatically

1 in terms of shipments to the west coast at a time when Mr.  
2 Millett said their gigantic new facility in Mississippi was  
3 operating at only 60 percent capacity utilization. They  
4 couldn't ship volume to the west coast either even though,  
5 you know, the rail lines go from Mississippi to the west  
6 coast because of the unfair import competition.

7 MR. ROSENTHAL: Commissioner Johanson, if you  
8 notice, there are no steel mills from Japan, Australia or  
9 Korea on this map. They're much more distant from the west  
10 coast than the mills in the central and southern part of the  
11 United States. They manage to get their shipments to the  
12 west coast. So it's not the proximity of the mills, because  
13 if you look at this map and you hear the testimony and you  
14 look at your record to see that there is a tremendous amount  
15 of shipments from U.S. mills, from these other locales, to  
16 the west coast.

17 There's no problem with supplying them, as  
18 we've heard. No rail car shortage, no great transportation  
19 advantage. The matter is price.

20 COMMISSIONER JOHANSON: But then again, sorry  
21 to interrupt. My time's expired. I just want to get a  
22 little bit more in. Then again, the cost of shipping via  
23 water is much more competitive than shipping by rail, isn't  
24 it?

25 MR. ROSENTHAL: But yeah. If you take a look

1 at where the foreign producers are shipping to, they're  
2 shipping inland too in many of their instances. They're not  
3 just shipping to the coast. They may be entering their  
4 product there, but they're using overland transportation as  
5 well to get to their customers. A lot of them are located  
6 in the Midwest and the South, by the way.

7 COMMISSIONER JOHANSON: But when you're  
8 purchasing on the west coast, I mean --

9 MR. VAUGHN: Commissioner Johanson --

10 COMMISSIONER JOHANSON: Isn't it easier to  
11 obtain the product --

12 MR. ROSENTHAL: It's not easier. It's a  
13 matter of price.

14 MR. VAUGHN: Commissioner Johanson? Yes,  
15 Stephen Vaughn for AK Steel. I agree with everything Mr.  
16 Rosenthal just said. But can I also emphasize that nothing  
17 on this map has changed during the Period of Investigation.  
18 None of these things have changed, okay. The steel industry  
19 has not brought a case on hot-rolled steel in 15 years,  
20 okay. For years, these mills have been out on the west  
21 coast. People will be either serving the west coast or not  
22 serving the west coast.

23 Steelscape was out there, UPI was out there.  
24 All of this has been true for many, many years. The  
25 question the Commission has to ask itself is what happened

1 during the Period of Investigation. Why did this change? Why  
2 were these cases brought? What happened was is that steel,  
3 subject imports from these countries increased by 105  
4 percent. That was not a question of just, you know, huge  
5 demand coming in on the west coast.

6 That was them coming into this market and  
7 taking 7.2 percentage points of market share away from the  
8 domestic industry. That's what this case is really all  
9 about. The story about what happened on the west coast or  
10 what didn't happen on the west coast, I mean I agree with  
11 all the points that have been made here, and I think that,  
12 you know, that the domestic industry has shown an ability to  
13 serve that market.

14 But honestly, in the context of this case,  
15 this is a side show. I mean this is not what the case is  
16 really about. The case is about why did these people  
17 increase their shipments to the United States by almost two  
18 million tons in two years, and the locations of mills on the  
19 west coast has nothing to do with that development.

20 COMMISSIONER JOHANSON: Okay, thank you. My  
21 time has expired and I apologize to Commissioner Broadbent  
22 for going over.

23 CHAIRMAN WILLIAMSON: Great, thank you.

24 COMMISSIONER BROADBENT: No problem. I wanted  
25 to thank the witnesses and the companies for sending such



1 senior leadership to speak with us today. It's amazing that  
2 all you CEOs are so conversant in all the dumping  
3 terminology and so forth. That's really impressive to your  
4 commitment on this.

5 I was trying to kind of get a sense. I think  
6 I'll talk about pricing a little bit. For example, this may  
7 be for Mr. Rosenthal. To what extent should we focus on the  
8 volume of imports that undersold as opposed to the total  
9 number of instances in which imports undersold? The  
10 Commission frequently looks at both metrics, volume and  
11 instances, and I'm curious as to whether you have an opinion  
12 on which metric should be given extra weight here.

13 MR. ROSENTHAL: I think volume matters more  
14 than the number of instances. You can have a couple of  
15 small customers who get a few tons, but that doesn't hurt  
16 the U.S. domestic producer as much as a large customer who  
17 gets a lot of tons as a result of the underselling. So I  
18 think volume counts more than instances, and frankly when  
19 the volumes came in and the underselling took place counts  
20 more than the number of months.

21 So I think you need to take, you need to look  
22 at all the data points, but volume matters more than  
23 frequency, at least the way you collect the information.  
24 I'll stop there. I have more to say, but I know you have  
25 more questions.

1 DR. HAUSMAN: This is Jerry Hausman. I think  
2 one thing that should be recognized here is that -- two  
3 things. Hot-rolled is very highly substitutable, and  
4 secondly, much more of it is sold, a much higher proportion  
5 of it is sold spot than either CORE or cold-rolled. So when  
6 you look at the data, you would expect to have a lower  
7 proportion of underselling because if you don't meet the  
8 price, you're going to lose the sale.

9 So if you were charging the same price, you  
10 would sort of expect 50 percent on either side. Without the  
11 protection of contracts, you have to do that much more  
12 quickly. You can't wait until the contracts come up for  
13 renewal. So my interpretation of the underselling is  
14 exactly what you would expect, given the differences between  
15 hot-rolled and the differences between hot-rolled and  
16 cold-rolled and CORE. Thank you.

17 MR. MOSKALUK: This is Chuck Moskaluk from  
18 SSAB. Just further to the comment about volume versus the  
19 number of instances, just as an example, if we were to be  
20 quoting a customer for a line pipe project and we lose based  
21 on unfairly-traded or dumped pricing, that's one instance.  
22 But it could easily be 30, 40, 60 or 80 thousand tons in  
23 total volume that we lost in that one instance.

24 So I think it is important to pay attention to  
25 the volume, because in many cases it might be one instance

1       that it could be very significant volume and very harmful to  
2       us.

3                       MR. JONES:   Commissioner Broadbent, Steve  
4       Jones for AK Steel.  I'd just like to underscore something  
5       Mr. Rosenthal touched on just briefly in his comments, that  
6       the when is important, and this information touches on APO.  
7       But on page eight of our prehearing brief, we have a  
8       discussion of the timing of the underselling in this case,  
9       and we think that's very important for the Commission to  
10      look at.

11                     I would note that the Commission did look at  
12      that in both the cold-rolled and the corrosion-resistant  
13      cases in the decisions you issued this summer, and found the  
14      timing of underselling was especially important in those  
15      cases as well.

16                    COMMISSIONER BROADBENT:  Okay.  Let's see.  
17      According to our prehearing record, subject imports oversold  
18      the domestic like product in more instances than the  
19      undersold.  I know that you all are contesting the data, but  
20      under an assumption that the Commission makes a  
21      determination that subject import underselling was not  
22      significant, can it still find that injury to the industry  
23      was by reason of subject imports?

24                    MR. ROSENTHAL:  Commissioner Broadbent, first  
25      of all even if you give the Respondents the benefit of the

1     doubt on how to interpret this data, there's no possible way  
2     you can make a finding of insignificance in terms of  
3     underselling. The numbers are kind of close there, but  
4     there's still a significant amount of underselling based on  
5     the number of instances. That's point number one.

6             Point number two, as the Commission has  
7     recognized and we had this colloquy among some Commissioners  
8     and witnesses in some of the previous cases on cold-rolled  
9     and corrosion-resistant, this Commission and the courts have  
10    consistently found that a mixed pattern of underselling and  
11    overselling in a price-sensitive industry is the basis for  
12    an affirmative determination.

13            It makes perfect sense, especially if you look  
14    at what you heard the witnesses say here about what happened  
15    in 2015. As prices were crashing, the domestic industry and  
16    the imports were scrambling for business. So on any given  
17    day, you may get the business based on your low price, and  
18    the next day your competitor from abroad may get that  
19    business or the business down the street with their low  
20    price.

21            But it's a competitive market and you could  
22    expect that one day one person's going to get the sale, the  
23    next day the next person is going to get the sale. If you  
24    ever found a case where there's 100 percent underselling or  
25    even 80 percent, you have to think that there's not a lot of

1 competition going on here. This is a very competitive  
2 market, and a mixed pattern of underselling and overselling  
3 is expected and a basis for an affirmative determination.

4 COMMISSIONER BROADBENT: Okay. I'm going to  
5 jump in here, because I know you all want to respond, but I  
6 thought that was a pretty good answer. Is there anything  
7 hugely insightful that anyone has to add to that?

8 MR. BLUME: I'm not sure it qualifies as  
9 insightful, but I'd like to share a practical explanation.  
10 Certainly during that period, in my role as the commercial  
11 officer for Nucor, it's my job to make sure we're maximizing  
12 price. During that period, because we were beginning to lose the  
13 massive amount of volume as a result of the surge of dumped  
14 imports, we were ultimately forced, as I said in my  
15 testimony, we ultimately slashed our prices to be able to  
16 try to hold on to volume at that point.

17 So I think it's clear that we constantly had  
18 underselling through that period, on a very practical basis.

19 MR. MATTHEWS: Commissioner, Doug Matthews.

20 COMMISSIONER BROADBENT: Okay. My time is  
21 kind of --

22 MR. MATTHEWS: Doug Matthews, U.S. Steel. If  
23 you'd just mind briefly. So through the Period of  
24 Investigation, late 2014-2015, customer after customer that  
25 we called on, the conversation was you've got to meet this

1 price if you want this volume, and we had to make choices  
2 about whether or not we would take that business or not.  
3 The next time it was even a lower price.

4 It wasn't just the spot conversation that we  
5 were having this with; these are contract customers as well  
6 that were saying we're not buying at the contract price  
7 because the index prices are declining so fast and these  
8 import offers are so available to us at substantially lower  
9 prices that we're going to buy outside of contract and we're  
10 going to convert to spot.

11 COMMISSIONER BROADBENT: Okay. I'd like to  
12 switch us quickly to Chapter 5, Figure V-2 of the prehearing  
13 report. It shows a very strong correlation between three  
14 kinds of sheet prices, hot-rolled coil, cold-rolled coil and  
15 core. To what extent is the price of hot-rolled coil driven  
16 by price trends in cold-rolled steel and core?

17 DR. HAUSMAN: Jerry Hausman. I've prepared  
18 two graphs to demonstrate this. They're actually from the  
19 Respondent's report. These are the so-called "Where's Waldo"  
20 graphs, and what I did is in this graph, I took the average.  
21 You can see the hot-rolled, the two hot-rolled products, and  
22 I took the average of all the other series on Respondent's  
23 graph.

24 What you can see is that hot-rolled through  
25 the POI decreased significantly faster than the other items

1 that they compared it to, and overall the difference was  
2 just about 13.7 percent. So I'm sure my grandson, who's  
3 very young but will I hope be able to go to MIT, can find  
4 Waldo without any problem at all in these graphs.

5 Then if you look at the other graph that I  
6 prepared, this is the exact replication of the Respondent's  
7 graph, and you can see that the red line, which is  
8 hot-rolled, is the second lowest one. There was only one  
9 lower than it, and as you saw when I averaged these together  
10 on the previous chart, you get the significant difference.  
11 So if you scale it this way and don't have much vertical  
12 distance, they do look alike. But if you go back to the  
13 previous graph please, you'll see that when you look at  
14 them, there really is a significant difference.

15 So you do expect a correlation. I mean come  
16 on, it's all steel and it depends on similar inputs like  
17 scrap and all. But nevertheless hot-rolled did do  
18 significantly worse than these other items.

19 COMMISSIONER BROADBENT: It's not based on the  
20 CRU data? I'm confused on why it looks so different than  
21 our chart in the staff report.

22 DR. HAUSMAN: These are the data that -- these  
23 are Respondent's data that are in their report, where they  
24 try to claim that all the prices moved together and you  
25 can't really tell them apart, so you can't find Waldo. So I

1 prepared this directly from Respondent's data.

2 COMMISSIONER BROADBENT: Okay. The Commission  
3 recently found material injury in two of the downstream  
4 markets for hot-rolled steel and cold-rolled and core  
5 investigation. How did imports in these downstream markets  
6 influence the pricing for hot-rolled?

7 DR. HAUSMAN: So this is Jerry Hausman again.  
8 I have done an econometric model, which I will submit in the  
9 post-hearing briefs, and the model takes account of demand.  
10 So the whole argument about demand falling, which actually  
11 doesn't take place until the latter half of 2015 for  
12 hot-rolled. Scrap prices and imports are all taken into  
13 account. I find a significant role of imports.

14 I do this two different ways. One I look at  
15 prices, and I find that a one percent decrease in import  
16 prices leads to about a two percent decrease in domestic  
17 prices over a four month period. But for margins, which I  
18 was talking about before, which if you go back to my slide  
19 presentation please, you can see that for margins, sorry --

20 MALE SPEAKER: What slide?

21 DR. HAUSMAN: It's just my original slides.

22 MALE SPEAKER: Which number?

23 DR. HAUSMAN: If I look at metal margins --

24 MALE SPEAKER: Okay, this slide?

25 DR. HAUSMAN: It's --



1 COMMISSIONER BROADBENT: Mr. Hausman, I'm so  
2 sorry, because I know you keep getting cut off here in these  
3 proceedings. But my time is up, so maybe we'll get to back  
4 in my --

5 DR. HAUSMAN: Well, I could just finish, if  
6 you wanted. So if you look at this slide, which is a metal  
7 margin, you see that it came down a lot, and in fact a one  
8 percent decrease in imports leads to a six percent decrease  
9 in metal margins, which has a huge effect on profitability.  
10 Thank you.

11 COMMISSIONER BROADBENT: Thank you.

12 CHAIRMAN WILLIAMSON: Okay, thank you.  
13 Commissioner Kieff.

14 COMMISSIONER KIEFF: I have no further  
15 questions. I greatly appreciate the exchange with each of  
16 my colleagues, and hope that just efficiently targeting each  
17 other's arguments can help us all move forward. So I look  
18 forward to that in the post-hearing, and further discussions  
19 you would like to have, colleagues and counsel and  
20 witnesses. Thank you.

21 CHAIRMAN WILLIAMSON: Okay, thank you.  
22 Commissioner Schmidtlein.

23 COMMISSIONER SCHMIDTLEIN: All right. So I  
24 guess I will follow up here on this question about material  
25 costs, and I'm sorry if I didn't catch everything, the

1 entire exchange here with Commissioner Broadbent. But I was  
2 going to start with the fact that, and I apologize if this  
3 has been asked already, 34 purchasers stated that raw  
4 material prices affected their negotiations with spires of  
5 hot-rolled steel.

6 So and in addition to that, 38 said that  
7 hot-rolled steel is not indexed to raw material costs. So  
8 to begin, can you help me understand, in the context of  
9 negotiations, how does that work, given that 34 purchasers  
10 have said that the price of raw materials did impact their  
11 negotiations? So from your perspective, what you have seen?

12 MR. MOSAKLUK: This is Jeff Moskaluk with  
13 SSAB.

14 COMMISSIONER SCHMIDTLEIN: Ah, thank you.

15 MR. MOSAKLUK: I'm way back. One of the --  
16 one of the things that I think is important to understand is  
17 that on the raw material side, the changes in prices driven  
18 by a couple of things. It could be availability,  
19 seasonality, weather, that could be something. But more  
20 typically, it's the availability of supply and demand. So  
21 if mills are slower, electric shop mills are slower and  
22 there's slightly less demand on scrap, then scrap prices  
23 fall as the scrap dealers are trying to move their inventory  
24 and find a buyer.

25 And so the marketplace quite often will

1 trigger from that activity and push back on the mills and  
2 say well, we know you're slower. We can see it in the scrap  
3 pricing dropping, and so we think that it's time for us to  
4 retalk, you know, to talk about price. We would focus that  
5 price discussion on the supply and demand in the competitive  
6 landscape for price, but there are customers who try and  
7 link that.

8 The typical marketplace is, you know, always  
9 driven on supply and demand. So there are instances where  
10 you could look, and if you wanted to go over a period look  
11 at the scrap index pricing and say take CRU for product  
12 pricing, and you can see where they don't move in step. So  
13 it's typically based on supply and demand, that the customer  
14 says look, we think you're slower. You know you're slower.  
15 We have some inclination that you're slower. We think it's  
16 time to talk about pricing.

17 COMMISSIONER SCHMIDTLEIN: So you don't --  
18 you're saying this isn't based on some sort of transparent  
19 number that the purchasers are seeing, that they just have  
20 the sense that things are slower? They're not -- even  
21 though the contracts are actually indexed to these publicly  
22 available numbers, they're not using them. They're not  
23 coming in and saying look, we're tracking the price of, you  
24 know, scrap or iron ore or whatever raw material it is and  
25 citing that to you?

1                   MR. MOSAKLUK: As I said, they follow scrap  
2 pricing, but it comes to a question of supply and demand.  
3 If they think the market is softer, if there's more supply,  
4 then they want to talk about pricing.

5                   MR. BLUME: Rick Blume.

6                   MR. MILLETT: Sorry. Mark Millett, Steel  
7 Dynamics. I think maybe we or I have got a slightly unique  
8 perspective in the room, because we not only are a very  
9 large steel producer; we're also one of the second largest  
10 scrap recyclers in North America today, having about seven  
11 million tons of collection, processing, distribution,  
12 selling capability.

13                   I think one needs to recognize that the scrap  
14 world and the hollow core world are largely independent.  
15 They have their own market dynamics at play, and the issue  
16 there really is, as Rick said, market price. You know, our  
17 commercial teams are charged to sell our products at the  
18 highest price the market will bear, and how is that price  
19 set?

20                   Well, we don't set it. The market sets it,  
21 the supply and demands sets, ultimately sets that price. In  
22 the period that we're talking about, it's the inundation of  
23 our market by unfairly traded imports --

24                   COMMISSIONER SCHMIDTLEIN: So is it your  
25 position that you would not have lowered prices despite the

1 decline in raw materials, but for the imports? I understand  
2 the imports. But the imports aside, there was a decline of  
3 raw material prices, right, raw material costs?

4 MR. MILLETT: We would not lower our price  
5 just because raw materials went down. Similarly this year,  
6 market price, I mean scrap price, the scrap market went up,  
7 we didn't raise our prices.

8 COMMISSIONER SCHMIDTLEIN: So do you dispute  
9 then the 34 purchasers who said that the price of raw  
10 material impacted their negotiations, and is that the  
11 position across this entire panel?

12 MR. BLUME: Rick Blume, Nucor. Regarding that  
13 particular question, certainly as my colleague Mr. Millett  
14 testified to, when scrap prices go up customers don't  
15 automatically come to us and say we're prepared now to pay  
16 more, because the supply and demand for steel is different  
17 than the supply and demand for scrap. Now I've testified about  
18 this particular issue in the last three cases, because this  
19 argument keeps coming up that in fact it's driven by scrap.

20 Scrap is one factor. It's part of our cost.  
21 When our customers sense or see, and there are public  
22 indices that show what's happening with scrap. They look at  
23 that, and it in many cases becomes a proxy for how busy the  
24 mills are, okay. So ultimately the key point here is that  
25 the recent price, appreciation price recovery that we've

1       seen can be correlated to the fact of the work of this  
2       Commission. You put in preliminary --

3                   COMMISSIONER SCHMIDTLEIN: Yeah, but I mean  
4       we're not -- this isn't a theory. This is we were looking  
5       backwards, right. So we're looking back to when the price  
6       of raw materials started to fall in the fourth quarter I  
7       think it was, of 2014; you can correct me if I'm slightly  
8       off in that, and then through 2015. As a factual matter,  
9       what I'm saying is did the steel companies that are  
10      represented here, did you experience purchasers using the  
11      fall of the raw material cost to pressure you to lower your  
12      price during that time period? As a factual matter, not as  
13      a theoretical. It's all driven by -- I understand that.

14                   MR. BLUME: Okay.

15                   COMMISSIONER SCHMIDTLEIN: But this is looking  
16      backwards, as to what really actually happened.

17                   MR. BLUME: The primary weapon used by  
18      customers are the import offers that they had. They were  
19      through that period consistently falling. They were saying  
20      do you want this business or not, not where is your scrap  
21      today.

22                   COMMISSIONER SCHMIDTLEIN: I understand.

23                   MR. BLUME: Certainly it's a factor. There  
24      are a lot of factors that consumers look at. But it's -- it  
25      was the imports, the dumped pricing that drove us to being

1       forced to slash our prices.

2                   MR. MULL:  Dan Mull, ArcelorMittal.  As an  
3       integrated producer, scrap is not a big input in our cost.  
4       There's really two things that customers talk to us about.  
5       It's really where the lead time is, which is an indication  
6       of the strong demand --

7                   COMMISSIONER SCHMIDTLEIN:  But wasn't the  
8       price of iron falling too?  Wasn't the price -- you're an  
9       integrated producer.  That means you use --

10                  MR. MULL:  Hear me out a second please.

11                  COMMISSIONER SCHMIDTLEIN:  Okay.

12                  MR. MULL:  The lead times are an indication of  
13       the strength of supply and demand to the customers.  So the  
14       other thing is the foreign offerings.  Customers talk to us  
15       about the availability of the product.  It's a very, very  
16       strong indication that when supply is over-plentiful, lead  
17       times are short, there's plenty of inventory available,  
18       price pressure develops.

19                  That's when pricing goes down.  Just on the  
20       opposite side, as we've experienced somewhat this year,  
21       inventories have shrunk.  Lead times have extended, foreign  
22       offerings have been less, prices have gone up.  Now with  
23       that, does the customer use input costs?  We deal with very  
24       sophisticated buyers.  Do they use input costs?  Do they try  
25       to use that as leverage and make those discussions?

1                   Absolutely, you know. Do they maybe mislead  
2   us at times? I'm sure some of them do. But when it's all  
3   said and done, the marketplace and when you see indexes of  
4   such as the CRU, it may lag what's really taking place in  
5   the marketplace by a few weeks and even a month at times.  
6   But there's no doubt that it's a supply-demand, and any time  
7   that we have an over-supply of material, usually as a surge  
8   because this product comes in at one time, prices get  
9   depressed. That's really what occurred in the period of  
10  time we're talking about.

11                  COMMISSIONER SCHMIDTLEIN: Okay, so just a  
12  minute. Let me just follow up here with one quick thing.  
13  During Mr. Price's opening, you emphasized that subject  
14  imports were a cause. So was that intentional? Is it the  
15  only cause or was the decline also -- the decline in raw  
16  material costs also a cause?

17                  MR. PRICE: So under the statute, imports just  
18  have to be a cause.

19                  COMMISSIONER SCHMIDTLEIN: I understand. I'm  
20  just asking what your argument is.

21                  MR. PRICE: And there is -- there are a  
22  variety of things happening here. Raw material costs went  
23  down. That may, you know, so maybe it's a factor, maybe  
24  it's not. What we do know is operating profits and metal  
25  margins collapsed, so margins collapsed a lot more than just



1 the raw material costs. So the raw material costs don't  
2 seem to be an explanation of what's going on.

3 MR. ROSENTHAL: Commissioner Schmidtlein,  
4 there's no possible way that declining raw material costs  
5 are the cause of injury. Declining raw material costs by  
6 themselves should be a cause of increased profitability.  
7 The problem here has been the prices declined much faster  
8 than the raw material costs.

9 COMMISSIONER SCHMIDTLEIN: I think a cause was  
10 maybe a cause of prices going down is what you were  
11 referring to?

12 MR. ROSENTHAL: He's saying a cause, a cause  
13 of injury.

14 COMMISSIONER SCHMIDTLEIN: Or I might have  
15 said that. But I believe when you were speaking during your  
16 opening, you were referring to a cause of the prices going  
17 down? No?

18 MR. ROSENTHAL: Cause of injury.

19 MR. PRICE: It potentially is. I mean so the  
20 question is, is different under the statute, which is are  
21 imports a cause of what's going on here, and when you look  
22 at the marketplace, clearly the answer is yes. One, you  
23 know, and I'll go through three or four points real quickly.  
24 On the volume side, okay, you have a 1.8 million ton  
25 increase, okay. That 1.8 million ton was worth about a

1 billion dollars' lost revenue in each year. Probably worth  
2 about one to two steel plants being shut down permanently,  
3 hundreds of workers losing their jobs.

4 In terms of financial injury, it was enormous.  
5 In fact, I was stunned by The Netherlands' brief, just on  
6 the volume side, which calculated very large and significant  
7 number, and let me just continue.

8 COMMISSIONER SCHMIDTLEIN: I think you've  
9 misunderstood -- my time is up, but I think you've  
10 misinterpreted where I'm focused. I mean this is really a  
11 question about price depression.

12 MR. SCHAGRIN: Right.

13 COMMISSIONER SCHMIDTLEIN: Right so this is a  
14 question about can the Commission get to price depression in  
15 light of the falling raw material costs.

16 MR. VAUGHN: Commissioner Schmidtlein,  
17 Commissioner Schmidtlein?

18 COMMISSIONER SCHMIDTLEIN: Yeah.

19 MR. VAUGHN: Can I just please -- Stephen  
20 Vaughn for AK Steel, and I just want to follow up. I agree  
21 with what Alan said. I agree with what all the witnesses  
22 have said. I just want to emphasize that yeah, the thing  
23 you have to decide here obviously is was there a price  
24 effect from subject imports. Now you've got multiple things  
25 that are happening in this market.

1           You've got raw material stuff going on, you've  
2   got changes in demand, you've got multiple things going on.  
3   The other side's argument, this 34 number that they point  
4   to, this is a straw man argument, to say that we're taking  
5   some position that these other factors don't have anything  
6   to do with what was happening in price. That's just a straw  
7   man. That's not our argument.

8           Our argument is that if you look at the facts,  
9   from 2014 to 2015, raw material costs fell by \$83 a ton.  
10   The AUV for this product fell by \$141 a ton, okay. There  
11   are other things that are going on besides -- and in  
12   addition to and on top of what's happening with raw material  
13   costs, and those things include subject imports, because you  
14   have many, many purchasers telling you that price is an  
15   important factor.

16           You have many purchasers telling you that they  
17   switched because of price. You have detailed information of  
18   how much was switched because of price. You have sworn  
19   testimony from this panel talking about the importance of  
20   imports on price. So to -- you'd have to throw all of that  
21   out and say that none of that had any effect on pricing in  
22   this market, and there's one other factor.

23           7.2 percent of the market switched from the  
24   domestic like product to the subject imports. Why did they  
25   switch or why did they switch back? All of this evidence

1 goes to the fact that the subject imports were in fact  
2 having an effect on pricing, that they were competing on the  
3 basis of price and they were using that information to take  
4 business away from us.

5 Notwithstanding the other factors that were in  
6 play, and as a matter of law if that's what they did, if  
7 they had a significant effect on price, then they are liable  
8 for that and they should be held responsible.

9 COMMISSIONER SCHMIDTLEIN: Okay. My time is  
10 up. I do have a follow-up question, but we'll come back to  
11 it.

12 CHAIRMAN WILLIAMSON: Okay. Well, continuing  
13 along that line, let's make it a little bit more  
14 complicated. Mr. Vaughn briefly referred to it. This OCTG,  
15 there was a big crash in demand for that. How much of this  
16 injury should we attribute to that?

17 DR. HAUSMAN: Jerry Hausman.

18 CHAIRMAN WILLIAMSON: Okay, and then --

19 DR. HAUSMAN: So this is exactly what an  
20 econometric model does, and I find three factors. The first  
21 factor is in terms of price. The answer to the previous  
22 question was yes there was price depression because of  
23 imports. So the three factors that I find to be important  
24 are the decrease in scrap prices, the effect on demand; it  
25 went up and then it came down; and third, the decreasing

1 price of imports.

2 So there is not just one factor. You just,  
3 you know, in economics there are many factors that cause  
4 things.

5 CHAIRMAN WILLIAMSON: Yeah. We live with that  
6 every day here, so go ahead.

7 DR. HAUSMAN: Yeah, and the econometric model  
8 shows that ever so clearly. So if you go back to my Slide  
9 4, which is the metal margins price, I have subtracted out  
10 the scrap price. So there is no scrap price effect there.  
11 It's a metal margin. Look how much it went down -- well,  
12 okay.

13 CHAIRMAN WILLIAMSON: Okay.

14 DR. HAUSMAN: Okay. Look how much it went  
15 down at the end of 2014 and 2015? So I fully accounted for  
16 the change in scrap prices. What was going --

17 CHAIRMAN WILLIAMSON: Yeah, enough. So we got  
18 the scrap prices. What about the falling -- the demand  
19 fall, particularly the OCTG?

20 DR. HAUSMAN: Okay. I have a graph on that,  
21 and what you'll see is, excuse me, I've just got to get a  
22 number, is that as I said, demand went up and then it came  
23 down. But until -- it's Slide 10 -- until 2014, you see  
24 until the August of 2014, you see that it was higher than at  
25 the beginning of the POI.

1                   So yes, demand has an effect. That's what  
2                   econometrics finds, but yes, imports also have an effect.  
3                   So you can't just put things down to one cause. I mean --

4                   CHAIRMAN WILLIAMSON: No, I understand that  
5                   but --

6                   DR. HAUSMAN: You do, but I'm nonetheless  
7                   amazed by the level of argument that I hear here.

8                   CHAIRMAN WILLIAMSON: Okay, thank you.

9                   (Simultaneous speaking.)

10                  MR. KOPF: Robert Kopf from U.S. Steel. May I  
11                  please?

12                  CHAIRMAN WILLIAMSON: Okay. I think Mr. Kopf  
13                  was next and then we'll --

14                  MR. KOPF: Let's talk about the energy market  
15                  and the demand in the energy market, because the other side  
16                  conveniently wants to blame everything on, or a huge part of  
17                  it on that. The simple statistics are that from 2014 to  
18                  2015, we saw a net decrease in demand of products that would  
19                  consume hot-rolled to go into the energy tubular market,  
20                  that being line pipe and oil country tubular goods, of 1.1  
21                  million tons in 2015.

22                  The domestic industry shipped four million  
23                  tons less hot-rolled that year, rather than the 1.1 million  
24                  tons. If you would blame it on the energy markets, then all  
25                  we would see is a reduction of 1.1 million tons. If you

1 want to believe their argument, the energy market is what  
2 caused all this, let's fast forward to this year.

3 The energy market continues to be in duress.  
4 In fact, demand for energy-related tubular products that  
5 would consume hot-rolled are down another 477,000 tons this  
6 year versus last year. Yet the domestic industry has  
7 shipped through May 353,000 tons more hot-rolled. Why are  
8 we doing that? It's because the imports have left this  
9 market. They've stopped their practice of dumping because  
10 of the margins, preliminary determinations that you put in  
11 place.

12 So this has nothing to do with the energy  
13 market collapsing and leaving us with nothing else to make.

14 CHAIRMAN WILLIAMSON: Okay, thank you. Mr.  
15 Millett was next.

16 MR. MILLETT: Yes. Mark Millett, Steel  
17 Dynamics again. I think our mill in Columbus, Mississippi  
18 just encapsulates what has happened in the rest of the  
19 marketplace, whereby, you know, we lost 600,000 tons of  
20 output or production in 2015 relative to '14. Yet our  
21 energy proportion of shipments in '14 was probably 15  
22 percent or 20 percent.

23 It wasn't energy, energy-related. It was  
24 imports coming in to Houston. Today, as you just heard, the  
25 energy market is still flat. It hasn't changed one iota,

1 yet the Columbus mill is operating on an annualized basis  
2 today at around about 3.4 million tons. We've got all that  
3 volume back plus some.

4 CHAIRMAN WILLIAMSON: Okay.

5 MR. ROSENTHAL: Commissioner Williamson or  
6 Chairman Williamson?

7 CHAIRMAN WILLIAMSON: Yes.

8 MR. ROSENTHAL: Just a quick clarification.  
9 It may also help with Commissioner Schmidtlein's line of  
10 questioning. We are not denying that a fall in demand  
11 adversely affected the industry. You heard about a 1.1  
12 million ton hit, and I think the point of Mr. Price's  
13 opening statement was that we don't have to show that  
14 imports are the only cause of injury. We have to show it's  
15 a cause of injury, not price declines.

16 I just want to clarify that, a cause of  
17 injury. So that is really our point when it comes to the  
18 imports, and yes, the number's going down and by the way,  
19 that's a condition of competition you need to take into  
20 account.

21 With demand going down and imports going up,  
22 we were even more vulnerable to the import surge than if  
23 demand had been robust. By the way, if demand had continued  
24 going up you'd say what are they complaining about?  
25 Demand's great. Now it's going down, and they're coming in



1 even stronger. Our injury is more severe, exacerbated  
2 because of that. That's looking at it, this import issue in  
3 the context of the business cycle, which I emphasized in my  
4 opening.

5 CHAIRMAN WILLIAMSON: Good. Yeah, I want to  
6 go to some other things. Mr. Price.

7 MR. PRICE: Really one short note. We  
8 actually charted out the subject imports into the energy  
9 market. It's a confidential brief. You can actually look  
10 at it into the pipe and tube market, and into this  
11 collapsing market, the subject imports were radically  
12 surging in 2015, because they were pushing volume into this  
13 market that was so, you know, that was --

14 CHAIRMAN WILLIAMSON: You mean into the  
15 energy?

16 MR. PRICE: Into the energy market, you know.  
17 What was left of it they were trying to capture every  
18 volume, piece of volume they could.

19 CHAIRMAN WILLIAMSON: Okay, thank you. Mr.  
20 Gerrish.

21 MR. GERRISH: Commissioner Williamson, just  
22 following up on one point that Mr. Kopf was making. Every  
23 indicator of the domestic industry's performance in the  
24 first quarter of 2016 was up. Sales were up, shipments were  
25 up, production was up, capacity utilization was up, profits

1 across the board were up. The only thing that changed in  
2 that first quarter of 2016 was that the supply changed. The  
3 imports had receded from the market.

4 That's the only thing that changed. Energy  
5 tubular demand was still down, overall apparent domestic  
6 consumption was down in that first quarter. The only thing  
7 that changed was that the subject imports were receding from  
8 the market. That shows the impact that they had.

9 MR. ROSENTHAL: One last -- I just want to say  
10 one last thing. Paul Rosenthal, and those rising prices had  
11 nothing to do with the cost of raw materials.

12 CHAIRMAN WILLIAMSON: Okay. Thank you for all  
13 of those answers. I think we've got a good picture of this  
14 now. I'm going to turn to a different question. Mr.  
15 Conway, I was -- one of the changes I guess you've seen in  
16 the industry over the years is going from gas furnace to the  
17 electric arc furnace. I was just wondering, what impact  
18 does that kind of technology change have on your members?

19 MR. CONWAY: Predominantly, we're integrated  
20 producers, although we have a lot of electric shops in a lot  
21 of locations. We deal with technology. We're not Luddites  
22 about this and if technology comes to the industry, we  
23 understand if you don't learn the technology and get the  
24 residual work out of it. So, you know, it's happened as  
25 we've moved into continuous casting and thin-stripped

1 casting and every step along the way.

2 So we're not threatened by technology. We  
3 learn how to embrace it and deal with it. So the difference  
4 between electric shops and, you know, we were in the process  
5 of standing up an electric shop in Fairfield, Alabama when  
6 this crisis hits and we find ourselves stalled there. So  
7 it's not determinative here in terms of us at the shop  
8 floor, if that's what you're asking.

9 CHAIRMAN WILLIAMSON: Yeah, that is what I'm  
10 getting at, and I guess now it would also apply to other  
11 technology change, like lightweighting and things like that.

12 MR. CONWAY: Okay. I mean this has become a  
13 high tech industry and we understand that. I mean  
14 technology -- anybody can go out there and buy technology.  
15 It's how you work with it and how you work with your  
16 workforce and make it work for you.

17 CHAIRMAN WILLIAMSON: Okay, thank you. I was  
18 wondering about the impact of the Commission's decisions on  
19 cold-rolled and corrosion-resistant, and did injury, finding  
20 injury there also impact the upstream hot-rolled steel? How  
21 has that injury been remediated?

22 CHAIRMAN WILLIAMSON: -- recent changes, so what  
23 does that mean for this case?

24 MR. KOPF: Rob Kopf with U.S. Steel.

25 Just a couple comments, I guess. We've clearly

1       seen the decision that the Commission took on cold-rolled  
2       and corrosion resistant to help us in those product lines  
3       and we greatly appreciate your consideration in those  
4       matters.

5               One thing that concerns me immensely is the  
6       ability that these imports have -- these importers have to  
7       product shift on those products where they actually now have  
8       margins assessed on them on cold-rolled and corrosion  
9       resistant. Several of these countries and companies  
10      involved here are in multiple product lines. And if there  
11      is not an order put in place on hot-rolled, I'm very  
12      concerned about the ability for these countries to go ahead  
13      and just product shift into more hot-rolled shipments into  
14      this country, so that's significant.

15             I also find it ironic that the people out on the  
16      West Coast that were here, Representatives testifying  
17      earlier, were delighted over the fact that cold-rolled and  
18      corrosion resistant margins were placed on products so that  
19      their business out on the West Coast can increase, but  
20      they're not going to consider that hot-rolled should be  
21      considered the same way.

22             CHAIRMAN WILLIAMSON: Okay, so would you say the  
23      U.S. market is now more attractive to hot-rolled? I think  
24      you implied that. Yes?

25             MR. BLUME: Yeah, Rick Blume, Nucor.

1           I guess maybe just to back up a little bit with  
2   respect to your question, and that is we've not talked a lot  
3   about in this particular hearing about the massive global  
4   over capacity. I think it's been alluded to, implied to,  
5   but the massive global over capacity remains. That has not  
6   changed a bit, which continues to be a major threat.

7           The other aspect of that is really if you look  
8   at it, globally, demand for steel is very anemic. There is  
9   all the incentive in the world for foreign product to ship  
10   product, dumped product into this market. We've talked  
11   about it before. Again, really not raised here today.  
12   Basically, they are exporting their unemployment to the  
13   U.S., taking U.S. jobs, okay. So I want to make sure that  
14   we understand that the environment that we're talking about  
15   -- and thank you very much to the Commission for the relief  
16   that was granted on cold-rolled and core, very important,  
17   very helpful, but the basic underlying conditions have not  
18   changed.

19           This is still an industry that's in crisis. We  
20   need to finish the job relative to the hot-rolled case and  
21   certainly ask that you consider that and provide final  
22   relief on hot-rolled because I do think it is an attractive  
23   market for the reasons I just stated.

24           CHAIRMAN WILLIAMSON: Okay. My time has  
25   expired.

1                   MR. MATTHEWS: If we could just put up Slide 40,  
2     please. I think we show the subject countries excess  
3     capacity to ship hot-rolled in this market is beyond what  
4     they actually did during the subject period. And if they're  
5     allowed to continue to ship product into this market it'll  
6     absolutely devastate our industry.

7                   CHAIRMAN WILLIAMSON: Okay, thank you for those  
8     answers. Commissioner Johansen.

9                   COMMISSIONER JOHANSON: Thank you, Commissioner  
10    Williamson. And Commissioner Williamson, a moment ago,  
11    brought up the whole issue of electric arc furnaces versus  
12    blast furnaces and I'd mentioned to Mr. Newport earlier that  
13    I went to Dearborn this summer. On the way there I stopped  
14    off in Homestead Pennsylvania and there's the Carrie furnace  
15    that you can public tours. It's this old mill, which was  
16    construct at the beginning of the last century, so it's very  
17    old technology. It's a blast furnace. And so the question  
18    in my mind is that blast furnaces are old technology and  
19    that it was also my understanding that the United States  
20    uses a greater proportion of electric arc furnaces versus  
21    blast furnaces over the subject countries.

22                   Some of this is proprietary, so I can't go a lot  
23    into that, but it is my impression that blast furnaces, once  
24    you get them rolling, it's really hard to turn them off and  
25    so they do not react to the market as quickly as a producer

1 using an electric arc furnace. Could you all discuss that,  
2 whether or not that is indeed a factor? Mr. Matthews?

3 MR. MATTHEWS: Yeah, Doug Matthews, U.S. Steel.

4 So first let me start off by saying we're an  
5 integrated producer. We've got all blast furnaces. Mr.  
6 Conway mentioned that we were in the process of constructing  
7 an electric arc furnace down in Fairfield.

8 I'm going to say that blast furnaces, although  
9 that specific technology may be very old, I'm going to say  
10 there's been really significant advancements in how you use  
11 raw materials and the mechanization and digitalization of  
12 the process to make it very highly efficient, very highly  
13 cost competitive. And depending on what the input raw  
14 material costs are even more competitive than EAS-type  
15 shops.

16 So you may be looking at the shell of something  
17 that looks very old, but you know I'm going to tell you that  
18 it's been modernized and productivity enhancements have  
19 occurred that have leap frogged the capacity and capability  
20 and the quality of the hot metal that you can produce off of  
21 those blast furnaces.

22 COMMISSIONER JOHANSON: I would expect the  
23 technology to get better over the last century, but it's my  
24 impression that the United States is moving increasingly  
25 into the use of electrical arc furnaces, which I assume is

1     because they're more profitable, but could you all also  
2     address the whole issue, once again, of competitors in the  
3     subject countries and what they're using and whether they  
4     are, indeed, almost forced to keep producing if they're  
5     using older technology.  Yes, Mr. Blume.

6                 MR. BLUME:  Yeah, Rick Blume, Nucor.

7                 I think it's an excellent point.  While we see  
8     that trend in the U.S. -- and by the way, just for the  
9     record, I mean Nucor has looked also in prior times at blast  
10    furnaces, so you know ultimately the question is what is the  
11    most efficient way to produce steel.  But I think you're  
12    right the trend is in that direction.

13                However, you look at it globally.  Most of the  
14    steel is produced through blast furnace methods.  You also rightly  
15    pointed out the fact that it's very hard to ratchet down  
16    production, which is precisely why the subject countries  
17    must keep their blast furnaces running and must continue to  
18    find outlets, particularly, under the pressure of the  
19    Chinese who, through their overcapacity, are putting steel  
20    throughout the globe.  Certianly, to keep their blast  
21    furnaces running they need to find outlets.

22                We talked there again before about the  
23    attractiveness of the U.S. market.  It's coming here.  
24    That's why the work of this Commission is so vital to the  
25    steel industry.



1 MR. NEWPORT: Roger Newport, AK Steel.

2 I'd like to comment in regards to Dearborn when  
3 you were just up there and technology. We had acquired them  
4 just a couple years ago, but just prior to that Severstal had  
5 invested over \$1.5 billion into new blast furnace, new  
6 operations, new melt shop, et cetera. So the investment it  
7 is all new technology in steel industry terms up there for  
8 that facility. We're an EAF and blast furnace producer, so  
9 we have both. They each have their niches. They have their  
10 fits in the markets. But a comment on new technology. If  
11 you look at the new advanced, high strength steel a lot of  
12 them, especially ours, are coming from blast furnace and  
13 melt shop in the BOF technology. It's not coming from the  
14 EAFs. Our new technology we came out with, Third Generation,  
15 is coming from blast furnaces. So it's not the technology  
16 of the equipment. You can make changes. It's the chemistry  
17 and it's what you're doing with those products.

18 They're great assets, so it's not an old  
19 technology. You need the purity of the raw materials to do  
20 a lot of the grades that are made out there that you cannot  
21 -- in some cases you just cannot do from scrap because of  
22 impurity, so it's not just the technology of the equipment.  
23 It's also the capabilities of the raw materials and  
24 everything coming in.

25 COMMISSIONER JOHANSON: Yes, Mr. Schagrin?

1 MR. SCHAGRIN: Roger Schagrin.

2 I think you made an excellent point. I think it  
3 is important for the Commission to consider the fact that  
4 while the U.S. industry is basically a blend of about half  
5 electric furnace and half blast furnace virtually all of  
6 the steel coming here from the subject country is made in  
7 blast furnaces. And as the companies here, and as Mr.  
8 Conway's workers understand, with the blast furnace  
9 technology they're very inefficient as you reduce capacity  
10 utilization, which is why U.S. Steel and AK have shut down  
11 some of their blast furnaces here with the cost of a lot of  
12 employment.

13 And so the producers in these subject countries  
14 are making a conscious decision with or without the help of  
15 government subsidies because we have three subsidy cases  
16 here that they would rather operate their blast furnaces at  
17 higher utilization rates rather than shut them down and  
18 because of whether demand is going up and down in their home  
19 markets they're all under assault from this massive Chinese  
20 excess capacity and so they've got to find a way to keep  
21 their blast furnaces open.

22 So they're really exporting their unemployment  
23 here. They're making a conscious business decision that  
24 they're going to keep operating their blast furnaces and  
25 double their exports to the United States and U.S. Steel and

1 AK Steel and ArceholMittal and Mr. Conway's union workers  
2 are going to suffer as a result because these companies  
3 can't afford to operate a blast furnace at 50 percent  
4 capacity utilization. They've got to shut it down and  
5 operate their remaining blast furnaces at higher levels. So  
6 I think you've made an excellent point and I think the  
7 Commission should consider it, both as the reason for the  
8 present injury as well as the threat of injury.

9 COMMISSIONER JOHANSON: Thank you for your  
10 comments. And I didn't mean to denigrate blast furnace  
11 technology. I know the plant I saw was really old. The one  
12 I saw was indeed a museum. It's an impressive old plant,  
13 but once again, it seems like the trend is in the area of  
14 electric arc furnaces in the United States, so that's the  
15 point I wanted to get out and also the whole issue of  
16 whether -- I know with electric arc furnaces you can  
17 basically shut them down very quickly. Am I correct on  
18 that? Okay.

19 Okay, I want to get back to the issue I spoke on  
20 this morning in which I meant to get back to you right away,  
21 but Mr. Williamson brought up the whole blast furnace issue,  
22 so I thought I would explore that a bit further. But that  
23 is the issue of the concentration of the U.S. industry in  
24 the South and the Midwest and the East Coast. Has  
25 production become more concentrated over time away from the

1 West Coast?

2 I can think of the one plant, Geneva Steel, in  
3 Utah. I've seen pictures of it. There's a big plant out in  
4 the desert. It looks very beautiful. It's been shut down I  
5 think for over a decade or so, and I understand. I think  
6 that was an inefficient plant because it was located far  
7 away from population centers. It was built during the war,  
8 I believe, during the second World War, but is it  
9 inefficient overall for U.S. producers to manufacture on the  
10 West Coast because I know there's parts of the country where  
11 plants are located right now where I don't think they're  
12 necessarily close to the raw materials. I might be wrong on  
13 that, but if you can inform me I'd appreciate it. Mr.  
14 Loughi?

15 MR. LONGHI: I think there's significant  
16 differences in legislation. And if you look at the last  
17 hundred years you know the utilization of barges and rivers  
18 you know have been favoring the fact that you can move raw  
19 materials much more efficiently in that regard, so that has  
20 been one of the conditions.

21 The plant in Utah was basically built for the  
22 War in order to protect the country's capabilities from an  
23 attack because most of the other facilities were more  
24 exposed to it, so that was the fundamental reason. And I  
25 believe that if you look at the overall during that period

1 of time the downstream manufacturing was also concentrated  
2 in the areas where the basic production was taking place.

3 COMMISSIONER JOHANSON: That makes sense when I  
4 look at the map, right. But still, I mean, those downstream  
5 plants were built many, many years ago that's why they're  
6 concentrated in certain regions. Why is there not more in  
7 the West Coast?

8 MR. SCHAGRIN: Commissioner Johansen, having  
9 worked in the steel industry for 35 years and having been a  
10 History major, I'm fascinated by the history of the steel  
11 industry. And the fact is that all of the former West Coast  
12 plants that exist today, and that's UPI, even though they  
13 can't make hot-rolled, at one time they did have steel  
14 making. What is today, CSI, which I represented and the  
15 cold-rolled and corrosion resistant cases, was the old  
16 Kaiser Steel. It was built by Henry Kaiser in order to make  
17 all of the plate and sheet that went into the Liberty ships  
18 to supply the World War II effort and what is today EVRAZ,  
19 which used to be Oregon Steel, also had steel making  
20 facilities.

21 Now none of them make steel. Well, in the case  
22 of EVRAZ and CSI, they bring in slabs, heat them, and make  
23 hot-rolled from slabs that they bring in. And in the case  
24 of UPI, as you heard, they bring in hot-rolled.

25 I think, in large part, because there's

1 certainly countries even subject to this investigation that  
2 don't have iron ore. I mean you can bring it in from other  
3 places like Australia or Brazil, but in the West Coast of  
4 the United States the environmental controls are such that I  
5 don't think, environmentally, states like California or  
6 Oregon would allow people to continue to make steel and even  
7 a renovated, older blast furnace.

8 It just doesn't comport with their environmental  
9 mentality. So instead, you know those mills continue to  
10 exist. They obviously need import relief. I was just at CSI two  
11 weeks ago. You know they got 1500 people there who only  
12 have jobs because of the work of this Commission. They were  
13 on death's door because of the unfairly traded imports.

14 So you know what they do in even converting  
15 slabs to hot-rolled is very important to those mills. I  
16 just don't think, and you got companies here like Nucor and  
17 Steel Dynamics who I'm sure have considered putting new  
18 flat-rolled mini mills onto the West Coast. I think whether  
19 it's blast furnace or electric furnace it's tough to think  
20 about putting a new steel making facility in a state like  
21 California.

22 COMMISSIONER JOHANSON: Yes, Mr. Rosenthal? And  
23 do it quickly, if you could, because my time has expired.

24 MR. ROSENTHAL: One final point has been missed  
25 and that is the West Coast is the first destination of all

1       these Asia suppliers and they're the ones that have been hit  
2       hardest and first over the last couple of decades. It's  
3       very hard to be the shock troop, which is what the West  
4       Coast mills have been over the years, to all the Asian  
5       imports.

6                   COMMISSIONER JOHANSON: Okay, thank you.

7                   Mr. Price, do you want to answer just quickly.

8                   MR. PRICE: I'll address it in my post-hearing  
9       brief.

10                  COMMISSIONER JOHANSON: Okay, great. Thank you.  
11       My time has expired.

12                  CHAIRMAN WILLIAMSON: Okay, thank you.  
13       Commissioner Broadbent?

14                  COMMISSIONER BROADBENT: Thank you Chairman  
15       Williamson.

16                  This is a question for Mr. Loughi. I wondered  
17       if you -- and you may not have had a chance to read this,  
18       but Ford filed a prehearing brief in terms of making the  
19       point that they didn't believe that the domestic industry  
20       was vulnerable or injured because of the great performance of  
21       the construction and the automotive industries and during  
22       the period. And they talk about sort of this dramatic  
23       consolidation in the U.S. steel industry so that we've only  
24       got you know a few domestic companies that are producing  
25       steel now, so there's a considerable consolidated strength,

1 that you've shared a lot of legacy costs, renegotiated your  
2 labor contracts, and that you really do have an awful lot of  
3 control over the contracts that you're negotiating.

4 To me what's striking about this case is how  
5 many Respondents we have and how many of these countries  
6 aren't typically countries that are a poster child for  
7 unfair traders. So how do you go into a case like this and  
8 how much competition you really want to wall off and as  
9 prices are getting higher and higher and we're a high-priced  
10 island and your consumers are looking aluminium I thought  
11 maybe you could just give me some general comments on that  
12 strain of thinking.

13 MR. LOUGHI: I have not had the opportunity to  
14 read, but we definitely are not afraid of competition. And  
15 I would offer to you that even though you see aluminum and  
16 some other materials making inroads into those markets, I  
17 would offer that we are probably the biggest disrupters to  
18 ourselves as we speak.

19 The amount of new developments that we are  
20 bringing forth and the amount of appreciation that all of  
21 the auto industries having because of it is really  
22 significant. You will potentially may see some changes when  
23 it comes to tons, but when it comes to value it's very, very  
24 large the amount of contributions we're having. And this is  
25 probably, from what you mentioned, it's one company. We



1 deal with all of the other companies, including the  
2 transplants and all of those have had a tremendous amount of  
3 appreciation for everything that we're doing.

4 So I think competition is healthy, but as long  
5 as it's done under the rule of law it's not an issue. It's  
6 a value adding proposition. That's what's inspiring us to  
7 do what we're doing.

8 MR. BLUME: Rick Blume, Nucor.

9 Just one other comment regarding Ford's brief.  
10 You know if you were to look -- and certainly, we're aware  
11 of the strength of the automotive industry and how well the  
12 industry is doing and particularly how well Ford is doing.  
13 And then contrast that with the losses that we described  
14 earlier in our presentation I think you have to bear that in  
15 mind as you consider those comments.

16 MR. KOPF: Commissioner, Rob Kopf, U.S. Steel.

17 I guess I'd like to just challenge Ford's  
18 assertion that the industry is not vulnerable and there's  
19 this impression that price are skyhigh and things are fine.  
20 I'd like to just remind everybody that in 2016 the average  
21 hot-rolled coil price in this market is \$114 a ton below  
22 both the five-year average and \$114 a ton below the 10-year  
23 average. So to suggest that happy days are here again and  
24 we're just back to a norm where we've always been is not  
25 accurate.

1 MR. NEWPORT: Roger Newport from AK Steel.

2 I come in and meet with customers, and not  
3 singling out any one customer, but customers, in general,  
4 our contract customers all of them would bring forth all of  
5 their bullets they can put in their gun, basically, to  
6 negotiate, just as any business person would to lower  
7 pricing. And definitely, one thing that everyone would  
8 present to us is what was going on with import pricing and  
9 that would be something that they would put on the table to  
10 say we're looking for lower pricing 'cause here's what we're  
11 seeing happening with imports coming in.

12 So I can say I saw that firsthand myself in  
13 negotiations and things that we see, in general, in the  
14 steel industry in our contract business.

15 COMMISSIONER BROADBENT: Okay. No more  
16 questions. Thank you, Mr. Chairman.

17 CHAIRMAN WILLIAMSON: Okay, thank you.  
18 Commissioner Schmidtlein?

19 COMMISSIONER SCHMIDTLEIN: Alright, I wanted to  
20 follow up on this last conversation. Mr. Vaughn, I think  
21 you had been responding there at the end about the  
22 comparison between the AUVs of the -- the Cog-AUV versus I  
23 think the U.S. commercial shipment AUV; is that the one  
24 you'd looked at?

25 MR. VAUGHN: Yes, Commissioner.

1 COMMISSIONER SCHMIDTLEIN: Okay.

2 MR. VAUGHN: I believe that's correct.

3 COMMISSIONER SCHMIDTLEIN: Okay. And so my  
4 question is -- and I guess if you don't want to do it right  
5 now you can do it in the post-hearing, but if you have some  
6 idea I'd be interested. In the Korean's brief at page 45,  
7 they make this statement, and I'll read you the two  
8 sentences here.

9 "As discussed in the price effects section, a  
10 drop in demand, chiefly, in the tubular goods segment, combined  
11 with an accelerated decline in raw material prices in early  
12 2015 forced U.S. producers prices down because the prices"  
13 -- and this is the key part -- "because the prices of raw  
14 materials are transparent to purchasers domestic producers  
15 were forced to lower prices more quickly than the decline in  
16 the actual raw material, which reflect the value of  
17 inventories purchased when raw material prices were higher."

18 So in other words, the way I read that was this  
19 comparison where you just look at the AUVs for that period  
20 doesn't necessarily tell the whole story because purchasers  
21 are -- whatever proxy they're using to determine that  
22 there's softness in the market, whether that's some sort of  
23 publicly available trade magazine or number or whatever --  
24 you know softening demand because you're integrated and you  
25 know that that that's what they're using to push down

1 prices. and so therefore this is how I interpreted this,  
2 right. Therefore, the Commission can't find price  
3 depression just by looking at those two AUV numbers because  
4 that doesn't tell the whole story. Does that make sense?  
5 Am I interpreting their argument? I'll ask them about it  
6 later this afternoon.

7 MR. VAUGHN: Commissioner, Steven Vaughn, AK  
8 Steel.

9 COMMISSIONER SCHMIDTLEIN: And if so, how do you  
10 respond to that?

11 MR. VAUGHN: Yeah, in the first place, I think  
12 we're going to respond to some of this in more detail in the  
13 post-hearing brief, but let me just give you a few thoughts.

14 I think that's a fair summary of sort of what  
15 they're trying to argue, but let's look at the record here.  
16 In the first place, they're talking about things happening  
17 in this very short-term period, right? Actually, prices  
18 started to fall in the middle of 2014. You know they do a  
19 lot here where they will sort of say everything was great in  
20 2014 and everything went bad in 2015.

21 Actually, what you see here is you see a  
22 chronology that works as follows. In late '13, early 2014  
23 the imports start to rise, okay. As the imports are coming  
24 in, demand at this point is still strong. Remember this is  
25 before anything is happening energy markets, so demand is

1 going to go up from '13 to '14. And in fact, one of  
2 Professor Hausman's charts show that demand was actually  
3 strongest toward the end of '14. So in early '14 you have  
4 imports coming up and you have demand coming up. These guys  
5 are -- the domestic industry is trying to get more favorable  
6 pricing because they need to get a better rate of return  
7 because they're still trying to fully recover from all the  
8 difficulties that they had coming out of the 2009 economic  
9 crisis, so they're trying to get higher prices.

10 As they're trying to get higher prices, the  
11 subject imports are surging. As the subject imports surge,  
12 they start taking market share from the domestic industry  
13 and that's very clear in the data. By the middle of 2014  
14 prices have peaked and are now starting to come down, okay.

15 By the end of 2014, this is the situation, you  
16 have falling prices. You have rising inventories, both at  
17 the importers level and at the purchasers' level and you've  
18 already lost all of this market share to the subject  
19 imports. And then you remember that on top of that you have  
20 purchasers telling you that they're switching business  
21 because of the lower prices. So that's where we are at the  
22 end of 2014.

23 Now we would argue that at that point they've  
24 already caused material injury, okay. They've already taken  
25 away millions of tons of sales. They've already taken away

1 almost a billion dollars worth of revenue. They've already  
2 taken away a lot of business. They've already caused prices  
3 to go down and they've already contributed to these higher  
4 inventories.

5 Now after all that, okay, now they want to just  
6 talk about 2015? Okay, well, let's talk about 2015. Their  
7 story was demand was falling in 2015 and that was the  
8 problem. Their imports increased in 2015. They shipped  
9 more to this market in 2015 than they did in 2014. When we  
10 filed these cases against these guys in August every single  
11 one of them was on a pace to significantly increase their  
12 shipments from where they had been in 2012, which was the  
13 beginning of your POI for your preliminary phase  
14 investigation.

15 So going back to Commissioner's Broadbent's  
16 question about you know where do all these countries come  
17 from? You know people look at the numbers and they say who  
18 is still continuing to attack a falling market? The market  
19 is oversupplied and prices are falling. Who's continuing to  
20 attack the market? It's these seven countries.

21 Now one other thing on the flip side. They  
22 finally start to leave. The cases get filed. They start to  
23 go down, okay. Raw material price don't change that much.  
24 That's the testimony you've heard today. Demand doesn't  
25 change that much. Your data shows that demand actually was

1 lower in Q-1 '16 than it was in Q-1 '15, but now what's  
2 happening? All of a sudden these guys are out of the  
3 market, domestic industry's prices start to go up. Domestic  
4 industry's performance starts to improve. So there is just  
5 lots and lots of ways here that you can really take all of  
6 this other stuff and you can isolate and you can see that  
7 whatever else is going on in the market, all the different  
8 things that they point to there's no question that running  
9 through this whole thing are the subject imports and the  
10 harmful affect that they're having on prices.

11 COMMISSIONER SCHMIDTLEIN: Okay. But I'm not  
12 sure that you answered my question. Thank you for that  
13 argument and summary of the case, but the question is really  
14 so when the Commission goes through the volume price and  
15 impact we've had a lot of discussion about the pricing data  
16 and whether it shows significant underselling or now. The  
17 next question for the Commission will be is there a price  
18 depression or price suppression, right? So the simplistic  
19 way to look at it is, well gee, raw material costs are  
20 falling, but let's look at the AUVs and the price fell more  
21 than the AUV of the Cogs and the Koreans are saying, no, no,  
22 we can't do that because if I understand their argument that  
23 doesn't really reflect how raw material costs are impacting  
24 the prices.

25 And so this is what I was trying to get at

1 before when I was asking about a factual basis for how does  
2 the raw material costs impact those negotiations. So if you  
3 want to do it in the post-hearing that's fine.

4 MR. VAUGHN: We will do that in the  
5 post-hearing, but I will say, once again, the one thing to  
6 keep in mind is how quickly prices rebounded. And if what  
7 they're saying is the case it's just tracking raw materials  
8 you know very quickly then you shouldn't have seen that  
9 development.

10 MR. ROSENTHAL: Commissioner Schmidtlein, just  
11 a real quick summary. It's true you can't just look at  
12 prices versus raw material costs. They were basically  
13 saying that raw material costs drove down the prices and  
14 that accounted for everything. That's what they said in the  
15 previous two cases. When we pointed out that inconveniently  
16 to them, that prices fell much faster than raw material  
17 costs and the raw material cost decline should have helped  
18 profitability but it instead did not, they've changed their  
19 tune.

20 So they're leaving out, and Mr. Vaughn did say  
21 this, they're leaving out the most important variable, and  
22 that is the import competition. It's not just raw  
23 materials. Prices were dropping for some reason and it's  
24 not just demand. They started to drop before demand for oil  
25 country tubular goods fell. It is the price -- it's the



1 volume of imports and the price of imports that drove down  
2 the price of the U.S. producers. Those are the figures or  
3 those are the factors that they ignore in their argument.

4 MR. LONGHI: Commissioner, if I may?

5 COMMISSIONER SCHMIDTLEIN: Mr. Longhi.

6 MR. LONGHI: I don't get into the nitty-gritty  
7 of negotiations on every single thing, but I do engage with  
8 our customers on a regular basis. During that period, as  
9 you know we are a fully integrated operation. We have full  
10 control of all the raw material that we need. There was not  
11 a single instance when a customer talked to me, where they  
12 referred to raw material prices. It was solely to say this  
13 is where prices are going. There is massive over-capacity  
14 out there. We're being offered that, so we need to consider  
15 this.

16 This was being done even where contracts were  
17 in place. Whatever it's worth for us, but do not depend on  
18 buying raw materials. There was not a single instance that  
19 raw materials was brought up. It was solely focused on  
20 price.

21 COMMISSIONER SCHMIDTLEIN: Okay, thank you.  
22 Do any of the other witnesses would like to comment?

23 MR. SCHAGRIN: Commissioner Schmidtlein, this  
24 is Roger Schagrin. I think you understood the Koreans'  
25 point correctly. The problem is both of the points in the

1 sentence you read by the Koreans are just fallacious, and  
2 that is that we will analyze in the post-hearing, no matter  
3 how you lag raw material cost, it is a fact that over this  
4 POI that until the first quarter of '16, that selling prices  
5 fell faster than raw material cost.

6           There's no amount of lagging. There's no oh,  
7 Steel Dynamics or Nucor had X amount of scrap inventory on  
8 hand, and that somehow masks it. I can tell you, having  
9 worked with the Steel Dynamics since the time they were  
10 founded and now they're the second largest scrap company in  
11 North America, they're very aware of what's happening to  
12 scrap.

13           If the price of scrap, which is influenced by  
14 all kinds of world market conditions, just like steel has  
15 fallen by \$50, they're not going to turn around and cut  
16 their price of steel, of hot-rolled sheet by \$100. That's  
17 exactly what happened during this period, is that any way  
18 you slice it, the selling prices for steel were falling  
19 faster than raw material costs for this industry.

20           The second point is as to the contribution of  
21 energy tubular, I would think that after a year, and this  
22 Commission saying in case after case that it is not the  
23 decline in OCTG demand that caused the drop in prices, I  
24 mean we just proved it. The counter-factual cannot lie.

25           In the first quarter of 2016, OCTG demand and

1 the second quarter and the third quarter, it continues to  
2 fall, and yet as soon as you remove the unfairly-traded  
3 imports by imposing duties, hot-rolled band prices, the only  
4 raw material in the welded OCTG, goes up on a published  
5 price basis by \$200 a ton. Now how can it be declining OCTG  
6 consumption? So I mean some day Mr. Cameron's going to  
7 figure it out. I just may not live to see it.

8 COMMISSIONER SCHMIDTLEIN: All right. So I  
9 have -- my time is up actually and so -- am I the only one?

10 COMMISSIONER JOHANSON: I'm going to ask one  
11 more, but go ahead.

12 COMMISSIONER SCHMIDTLEIN: Oh. Do you want  
13 me to finish? Oh okay. All right. Well, why don't I come  
14 back around, because I actually have two more questions so  
15 --

16 CHAIRMAN WILLIAMSON: I have just one quick  
17 question, and this can be done post-hearing. For critical  
18 circumstances, given the size of the U.S. market, can the  
19 increases in imports that we see really seriously undermine  
20 the effects of the order? This is in making the  
21 determination on critical circumstances. In other words,  
22 you're free to address it post-hearing. Okay, thank you.  
23 Commissioner Johanson.

24 COMMISSIONER JOHANSON: Thank you,  
25 Commissioner Williamson. I have just one more question,

1     although it's kind of funny. I didn't think we'd have  
2     enough questions today since we've had so many hearings this  
3     summer on steel. But it's obviously a very fertile subject  
4     for questions. I don't mean to pick on one company or to  
5     concentrate on one company but that's what I'm going to do  
6     here, just because that's the way the information's been  
7     presented to me by POSCO.

8                     In POSCO's prehearing brief at Exhibit 8, they  
9     bring up the SEC Form 10(k) for U.S. Steel for 2015, and  
10    that report apparently indicates that raw material shortages  
11    and transportation problems, including rail car shortages,  
12    led to production curtailments for U.S. Steel in 2015.  
13    Could someone from U.S. Steel please respond to that?

14                    MR. MATTHEWS: Yeah, this is Doug Matthews  
15    U.S. Steel. So in the period of -- end of winter, beginning  
16    of spring 2014, we did have a brief period where we had low  
17    inventories, or in the case of one plant, no inventory.

18                    COMMISSIONER JOHANSON: I'm sorry. What time  
19    of year was that again?

20                    MR. MATTHEWS: That was late winter, last  
21    spring. So it would be the start of the ore shipping  
22    season. If you may recall, the Lakes were frozen over  
23    obviously at that time, and our inventory position had  
24    declined. But we actually flexed our southern plants to be  
25    able to support our customer base and we moved orders for

1 that particular impacted plant to other plant locations, and  
2 we satisfied the customer requirements during that time. It  
3 was again I'll remind you. It was a brief period of time,  
4 late winter-early spring.

5 MR. LONGHI: Maybe just to add my color to  
6 that winter, normally historically over the past 25 years,  
7 the Lakes close for about 45 days.

8 COMMISSIONER JOHANSON: Four to five days?

9 MR. LONGHI: Forty-five.

10 COMMISSIONER JOHANSON: Forty-five.

11 MR. LONGHI: So therefore you design for that,  
12 and I think at the time we were designed for about 60 or 65  
13 days. In that winter, the Lakes closed for more than 140  
14 days. That raised a significant issue at the time.

15 MR. BLUME: Rick Blume, Nucor. I would also add,  
16 and we've testified to this before, that during that period,  
17 we had capacity to help supply any shortcoming that somebody  
18 might have seen in that particular region. So we were  
19 prepared, the industry was prepared. There was really no  
20 shortage.

21 MR. BRETT: Commissioner, John Brett,  
22 ArcelorMittal. Actually, our plants are very close to the  
23 plants that are in discussion, and we had no shortage, you  
24 know. Sometimes you make a decision. We actually planned  
25 for a little bit longer shipping season than what Mario just

1       said. So we were right next door.

2                   COMMISSIONER JOHANSON:     Right. You're in  
3       Indiana also?

4                   MR. BRETT: Yes sir, we are. That's one of  
5       the locations. We have other locations, which we could have  
6       also supplemented production if we weren't. But the fact  
7       remains in Indiana we were fine.

8                   MR. PRICE: And just to look at the import  
9       pattern for one second here, where you see this huge surge  
10      in import in late '14 and early '15. It has nothing to do  
11      with early, with early '14, and by the way, it really  
12      doesn't go down after that, because those May-July levels  
13      are still way above the earlier levels.

14                   So I mean you're just seeing this enormous  
15      explosion of imports as the world market is weak, and as  
16      this explosion occurs, prices just collapsed starting in May  
17      of '14.

18                   COMMISSIONER JOHANSON:     Okay. Mr. Kopf, did  
19      you want to add to that?

20                   MR. KOPF: Yeah, I just -- actually, I was  
21      hoping that this slide would get put up, because what I find  
22      ironic is and how clairvoyant the foreign producers must be.  
23      They knew well ahead of time that there was going to be a  
24      bad winter here, because their imports actually started  
25      increasing in the middle of the bad winter.

1                   So as the Lakes were frozen over, they must  
2                   have known three, four, five months ahead of time that we  
3                   were going to have a problem with the frozen Great Lakes,  
4                   and started producing hot-rolled in November-December of the  
5                   previous year.

6                   COMMISSIONER JOHANSON:    So they really freeze  
7                   over? I'm from Texas, so this is just very novel to me.

8                   (Laughter.)

9                   MALE SPEAKER:    It was novel to us.

10                  COMMISSIONER JOHANSON:    Yeah, yeah. Okay.  
11                  Well thank you very much for your comments. I appreciate  
12                  them.

13                  CHAIRMAN WILLIAMSON:    Thank you. Commissioner  
14                  Schmidtlein.

15                  COMMISSIONER SCHMIDTLEIN:    Okay. I had two  
16                  other questions. One follows up -- actually I was going to  
17                  ask it and Mr. Longhi you actually sort of talked about  
18                  this, although I'm not sure I totally followed some of the  
19                  factual predicate. You were talking about the fact that  
20                  prices were dropping in 2014 is what you said, and I was  
21                  going to ask a question about this, because when you look at  
22                  the AUVs obviously on the C table, the AUV goes up, right,  
23                  from '13 to '14.

24                  And then when I look at the pricing tables  
25                  generally, you know, it bounces around. But when you look

1 at the various pricing products in the United States price,  
2 you know, clearly it's higher -- it goes up from '13 to '14,  
3 and then it even goes up a little bit more through the third  
4 quarter of 2014. In most of those pricing products I think  
5 you could say that.

6 At the same time, we're seeing subject imports  
7 coming into the market, you know. When you look at the  
8 monthly import numbers starting in January 2014, 208,000  
9 tons, 206, 215, 231, 251, you know, it's consistently a high  
10 number. So my question was going to be how was it that the  
11 U.S. industry was able to raise prices from what it looked  
12 like?

13 Now in the fourth quarter, clearly things  
14 started to go down. I mean when you look at the pricing  
15 tables of the fourth quarter of 2014, there's a drop. But  
16 up until then it looks like things are going up despite the  
17 imports.

18 MR. KOPF: Commissioner, this is Rob Kopf with  
19 U.S. Steel. May I answer that question please?

20 COMMISSIONER SCHMIDTLEIN: Yes.

21 MR. KOPF: So what's important to note is that  
22 if you look at a public index like CRU, the average CRU  
23 hot-rolled coil price in 2014 averaged higher than 2013 by  
24 20 or 30 dollars a ton. It's important to note that this  
25 market in the U.S. peaked in May of 2014, and since May the



1 hot-rolled coil price steadily decreased from the peak and  
2 then really accelerated as we got into the period of time  
3 when the imports surged into this country.

4 So as the foreigners saw opportunity to take  
5 on market share, to steal our market share in 2014, you saw  
6 those big spiky months in the back end of '14, where the  
7 volumes increased significantly. That's what started  
8 creating the enormous price pressure. But you've got a lag  
9 effect, as Professor Hausman has talked about before, with  
10 things like quarterly contracts that may be following market  
11 indices, but they only adjust the following quarter, where a  
12 market peak in May might actually increase third quarter  
13 prices to certain customers who are on quarterly contracts.

14 So that's why there tends to be a bit of a  
15 lag, but eventually that lag starts catching up to us and as  
16 the spot price collapsed in the back end of '14, that's when  
17 -- because of the imports, that's when we saw the price go  
18 down.

19 COMMISSIONER SCHMIDTLEIN: Okay.

20 MR. GARRISH: Commissioner Schmidtlein?

21 COMMISSIONER SCHMIDTLEIN: Yes.

22 MR. GARRISH: Jeff Garrish for U.S. Steel.

23 The thing about 2014 is that was a year of significantly  
24 improved demand. Apparent domestic consumption went up by  
25 three million tons that year and the industry early on tried

1 to increase their prices.

2 But again, they peaked in May of 2014 and  
3 declined significantly after that, through the rest of 2014  
4 despite this significantly improved demand, the best demand  
5 since the financial crisis. The reason for that was the  
6 huge influx of unfairly-traded imports. You had an  
7 increase, just in that year alone, of 1.4 million tons.

8 MR. MATTHEWS: Commissioner, Doug Matthews,  
9 U.S. Steel. If I could just actually kind of add to the  
10 comments already raised, if you look at the MSCI data, which  
11 is a good barometer for, you know, what's happening with the  
12 general steel demand in the market, we just heard that  
13 demand improved. You can see that there's stability to  
14 upward trend and the shipments out of MSCI.

15 But actually in the May time period, there was  
16 2.2 months' supply. By the end of December, that had  
17 increased to 3.3 months' supply. So there was obviously  
18 significant surge imports that were contributing to  
19 inventory build. That ultimately came out of inventory  
20 through the course of 2015, but it had a disastrous effect  
21 on price. But the influence of inventory build during that  
22 time definitely impacted price as we went into the second  
23 half of '14.

24 DR. HAUSMAN: Commissioner my -- Jerry  
25 Hausman. My econometric analysis finds a four month lag

1 between imports and the full effect on domestic prices. So  
2 I think part of your question at the beginning that led into  
3 this, if you put a four month lag in, it will in part  
4 explain what was going on.

5 COMMISSIONER SCHMIDTLEIN: Okay.

6 MR. NEWPORT: And Commissioner if I may, Roger  
7 Newport from AK. I think one thing too this data doesn't  
8 reflect is a lot of our business is annual contract  
9 business. Some calendar year, but 12 month business, some  
10 calendar year, some fiscal year. That we felt the impact of  
11 this as we went in during negotiations for our 2016  
12 contracts.

13 So we have felt the lag effect. Some of it  
14 is, as we've talked, in the spot market, the three or four  
15 month lag. Some of this is a 12 month lag. So as we're  
16 negotiating pricing, we're feeling that impact here in 2016, and  
17 that's not reflected up here on the chart.

18 COMMISSIONER SCHMIDTLEIN: Okay. So my  
19 second question, actually Mr. Vaughn this is a nice segue,  
20 was about -- maybe it was Mister -- I can't see your name  
21 back there, the inventory. So in -- it's ArcelorMittal's  
22 brief talks about the inventory build, and when I look at  
23 the numbers, the inventories obviously are building and go  
24 up.

25 But they -- it doesn't look like there's a

1 drawdown in 2015, at least from the importer inventories.  
2 Those numbers were substantially higher in 2015. So I  
3 guess I'm a little bit confused about how the inventory  
4 build fits into your argument.

5 MR. MATTHEWS: Yeah. So Doug Matthews, U.S.  
6 Steel. Yeah, I'm going to say that the CRU or the index  
7 price actually bottomed in December. So the inventory  
8 staying at a relatively high level actually indeed caused  
9 the prices to continue to decline. That's the overhang.

10 COMMISSIONER SCHMIDTLEIN: Just the presence  
11 of the inventory, the presence of the inventory?

12 MR. MATTHEWS: Yeah. That's the overhang, and  
13 even in spite of the fact the domestic mills had shuttered  
14 significant capacity through the course of the time period,  
15 inventories stayed high, and that's because subject imports  
16 continued to come into the market and take market share from  
17 domestic industry.

18 It's not until the first quarter of '16, when  
19 we saw the imports start to rescind from the market, we saw  
20 the inventories start to come down a little bit and mills  
21 restarting and increasing capacity utilization to satisfy  
22 current demand, that we saw improved market conditions.

23 MR. SCHAGRIN: Commissioner Schmidtlein, this  
24 is Roger Schagrin. I think what you're seeing is that, as  
25 Mr. Matthews said, you know, during 2015, even though you

1 start 2015 with very high service center inventories, import  
2 inventories continue increasing because the imports continue  
3 gaining market share, and yet the service centers start  
4 working off some of their extra inventories during 2015 and  
5 going into early 2016, all by cutting back on purchases from  
6 the domestic industry.

7 That's why domestic shipments fall by four  
8 million tons, while imports increased by another several  
9 hundred thousand over '14 levels, because both imports are  
10 increasing, importers are increasing their inventories and  
11 the service center data that Mr. Matthews was referring to  
12 from MSCI, they're trying to reduce their inventories during  
13 '15, and it's all at the expense of domestic industry  
14 shipments to service centers, and that explains to the two  
15 different trends in inventories that you're noticing.

16 COMMISSIONER SCHMIDTLEIN: That I'm seeing.  
17 So I would just invite you to answer that question in  
18 writing as well. All right. I don't have any further  
19 questions. Thank you very much.

20 CHAIRMAN WILLIAMSON: If there are no further  
21 questions from Commissioners, does staff have any questions  
22 for this panel?

23 MR. CORKRAN: Douglas Corkran, Office of  
24 Investigations. Thank you Chairman Williamson. Staff has  
25 no additional questions.

1                   CHAIRMAN WILLIAMSON: Okay. Do Respondents  
2 have any questions for this panel?

3                   MR. CAMERON: None.

4                   CHAIRMAN WILLIAMSON: Okay, thank you. It's  
5 time for a lunch break. Excuse me, I'm sorry. Mr. Longhi?

6                   MR. LONGHI: Yes. This will just take a  
7 minute. I feel that I would be remiss if I left here today  
8 without reaffirming a couple of points that I believe are  
9 very important. The first one has to do with the overall  
10 global context in which we're living, and you heard mentions  
11 about over-capacity.

12                   Over-capacity around the world is about 700  
13 million tons in total, out of which China is responsible for  
14 about 400 million. No matter what their rhetoric is, this  
15 is not going to be dealt with quickly. The effect that the  
16 trade cases are having in having China not participate more  
17 directly in the markets that we're talking about here,  
18 they're going everywhere else in the world, which is  
19 exacerbating the behavior of the subject countries over  
20 here, in trying to find arguments for their situation.

21                   The other point that I would like to make is  
22 that if you recall when the clarification of the definition  
23 of injury was put in place last year, one of the conditions  
24 that have to be absorbed is our ability to serve our debt.  
25 The situation that we were exposed to, giving the surge of

1 imports --

2 COMMISSIONER JOHNSON: I just want to  
3 notice, I really enjoy input, but we also have to follow  
4 rules, and we tried very hard to allocate our time. So if  
5 the other side wants extra time as well, well Mr. Chairman,  
6 if you'd like to cut me off, that's fine. But I just don't  
7 know what we're doing. We really -- we have a lot of people  
8 --

9 (Simultaneous speaking.)

10 CHAIRMAN WILLIAMSON: Okay. I would like to  
11 get to lunch, so I'll let Mr. Longhi finish.

12 MR. LONGHI: We've been forced to deal with  
13 our bonds and debts in a time of injury to our companies.  
14 That was pretty significant when we were draining cash.  
15 That's a point that I believe the Commission needs to look  
16 at, as an additional level of injury that were imposed on  
17 us. Those are my points.

18 CHAIRMAN WILLIAMSON: Okay, okay. Thank you.  
19 I think with that, I want to thank this panel for their  
20 testimony. We will reconvene at 2:10. Please remember this  
21 room is not secure, so please take all business proprietary  
22 business confidential information with you, and we'll  
23 adjourn until 2:10. Thank you.

24 (The meeting adjourned until 2:10 p.m.)

25 MS. BELLAMY: Would the room please come to

1 order?

2 CHAIRMAN WILLIAMSON: Good afternoon. I want to  
3 welcome this afternoon's Panel but before we begin in the  
4 interest of equity and fairness we'll give this Panel 62  
5 minutes rather than 60 minutes for their written  
6 presentation. With that, you may begin.

7 STATEMENT OF JAMES P. DOUGAN

8 MR. DOUGAN: Good afternoon, I'm Jim Dougan of  
9 ECS and my testimony will discuss how the statutory criteria  
10 of volume price and impact support a negative determination  
11 in this case. To begin, there were no adverse volume  
12 effects by reason of Subject Imports. The decline in  
13 Domestic Production and shipments over the POI was  
14 attributable to two key factors: The effects of import  
15 competition and the downstream markets for cold-rolled and  
16 CORE as reflected in U.S. Producers' internal consumption  
17 and transfers and two, the severe weakening in demand for  
18 OCTG and other tubular products.

19 The confidential figures are presented at page 14  
20 of Korean Respondents' brief but as shown on slide 1 a  
21 substantial majority of Domestic Producers' decline in  
22 shipments is explained by these two factors alone. The  
23 decline in internal consumption which has a larger effect,  
24 has been remedied by the Commission's votes to impose orders  
25 on cold-rolled and CORE, which will increase demand for



1 Domestic Production of those downstream products and with it  
2 demand for upstream production of hot-rolled.

3 The decline in demand for tubular products is  
4 well-documented by both third-party sources and Purchasers  
5 questionnaires and appears in Korean Respondents' briefs.  
6 Neither of these declines are attributable to Subject  
7 Imports. The increase in imports however was temporary as  
8 shown in Slide 2. After peaking in January 2015, Subject  
9 Import volume declined by 46.5 percent by August, the month  
10 that the Petition was filed.

11 Even at their highest level, the sum total of  
12 Subject Imports was 3.6 million in tons, meaning that U.S.  
13 Producers' merchant market shipments at 21 million tons were  
14 roughly six times the volume of Subject Imports. This  
15 discrepancy is even more pronounced in the total market,  
16 where U.S. Producers' 54 million tons of total shipments  
17 were 15 times the volume of Subject Imports during 2015.  
18 These proportions must factor into the Commission's analysis  
19 of materiality. That is, is it reasonable to conclude that  
20 Subject Imports were responsible for the changes in Domestic  
21 Industry performance during the POI?

22 Respondents submit that it is not. The small  
23 effect of the volume increase is corroborated by Staff's  
24 Variance Analysis, which I will discuss more later. The  
25 likelihood that Subject Imports could have caused material

1 adverse volume effects to the Domestic Industry is even  
2 smaller considering two other factors. Factor one,  
3 purchasers turned to import sources when Domestic Producers  
4 were unable to supply their needs as you will hear' from  
5 witnesses from Steel Warehouse and NOV quality tubing.

6 This is corroborated by information in the Staff  
7 Report at 2-21 indicating that some purchasers were placed  
8 on allocation or had limited availability from Domestic  
9 Producers. Factor two, a large portion of Subject Imports  
10 does not compete with the Domestic Industry either because  
11 of a geographic continuation, dedicated supply to affiliates  
12 in the United States or both. As shown at slide 5,  
13 forty-seven percent nearly half of all Subject Imports  
14 during the POI entered the United States through ports on  
15 the West Coast.

16 This is not, as Petitioners claim, a side show.  
17 Ninety-eight percent of those volumes came from Australia,  
18 Korea and Japan. While the specific figure is BPI, the very  
19 large majority of imports entering on the West Coast served  
20 as dedicated supply to affiliates as shown at Exhibit 2, the  
21 Korean respondents brief. These dedicated supplier  
22 relationships will be discussed by witnesses from  
23 Steelscape, POSCO, NSSNC and CSN who represent the vast  
24 majority of dedicated supply from Subject Countries.

25 But even without these intra-country

1 relationships, West Coast consumers of hot-rolled steel rely  
2 on import sources because of the lack of domestic supply  
3 nearby and the significant expense and logistical  
4 difficulties to obtain steel from U.S. Producers located  
5 east of the Mississippi River. As shown on Slide 6, which  
6 reproduces Figure 3-1 of the Staff Report, there are only  
7 two U.S. Producers located on the West Coast, CSI and EVRAZ  
8 as highlighted on the map. These two producers represent  
9 only a small fraction of domestic capacity and production.

10           Nearly all domestic hot-rolled capacity is  
11 located in the Midwest and South. The Staff Report at 2-9  
12 reports that Domestic Producers make only 5 percent of their  
13 sales to customers more than one thousand miles away, that  
14 is the distance that would be required to ship from the  
15 Midwest or South to the West Coast. This makes sense  
16 because as discussed in Respondents' prehearing briefs and  
17 as will be discussed by the witness from Steelscape, the  
18 steel must be shipped to the West Coast by rail and lack of  
19 railcar availability and increasing railcar rates make the  
20 shipment of large volumes of steel from the Midwest and  
21 South to the West Coast impractical and uneconomical.

22           Petitioners denied to the Commission these  
23 logistical issues exist, they denied it again this morning  
24 and point to their own witnesses' testimony and to  
25 purchasers' questionnaires as proof. Regarding the former,

1 the Commission should be aware that they might be hearing a  
2 different story than the Domestic Industry tells to other  
3 audiences. As shown in slide 7, counsel for Nucor and in  
4 fact many of the witnesses this morning stated at the Staff  
5 Conference that there is no railcar shortage but in the 2014  
6 earnings call, James Freeus, Nucor's Chief Financial  
7 Officer, stated that "deliveries of raw materials to our  
8 facilities and our shipments to customers were hindered by  
9 railcar and truck availability" and that their costs  
10 increased as a result.

11 Regarding purchasers' questionnaires, simply  
12 citing the overall responses is misleading when many of  
13 those purchasers are not located on the West Coast but 8 of  
14 9 purchasers who are located on the West Coast reported  
15 transportation issues as summarized on pages 21 to 23 of  
16 Korean respondents' brief. In short, these issues are real  
17 and they are an important driver of purchasing decisions  
18 that affect a substantial portion of Subject Import volume.

19 Turning to price effects, as shown at slide 8,  
20 Subject Imports oversold the Domestic Industry in a majority  
21 of instances over the POI in both the distributor service  
22 center channel and the end user channel and the average  
23 margins of overselling were larger than the average margins  
24 of underselling. Petitioners argue that the Commission  
25 should reject Staff's underselling analysis because they

1 claim it has been conducted at the wrong level of trade and  
2 does not accurately capture the nexus of competition between  
3 the Domestic Industry and Imports.

4           However, the Commission conducted its analysis  
5 using the same methodology in both cold-rolled and CORE and  
6 Petitioners raised no objections in those cases. Only now,  
7 when the price data do not show their desired result do they  
8 have an objection. What's more, the Commission's data are  
9 corroborated by a 3rd party source. Slide 9 presents data  
10 from American Metal Market who will present the exact  
11 figures in post-hearing showing that import hot-rolled  
12 prices were higher than domestic hot-rolled prices in 9 of  
13 13 quarterly comparisons.

14           While these data do not distinguish between  
15 import country sources, it would likely not include for  
16 example Canada because these are prices from the Port of  
17 Houston. In short, the Commission should be confident that  
18 its pricing data collected accurately affects competition in  
19 the hot-rolled market. There was no price depression by  
20 reason of Subject Imports. As shown at Slide 10, U.S.  
21 Producers' prices followed trends in the prices of key raw  
22 materials, iron ore and scrap. This deep decline in demand  
23 would also tend to have a depressing effect on prices.

24           If there were price depression by Subject Imports  
25 one would observe more severe price declines in the U.S.

1 Market than in the Global market, but as shown in slide  
2 11, NEPS data from the Staff Report show that declines in  
3 U.S. prices over the POI were actually less severe than  
4 declines in the global market whether expressed in terms of  
5 unit prices or percentages. There was no price suppression  
6 by reason of Subject Imports.

7 In its recent determination regarding cold-rolled  
8 steel the Commission found that Subject Imports did not  
9 prevent price increases which otherwise would have occurred.  
10 This finding was based on a fact pattern virtually identical  
11 to the pattern in this case. As shown at Slide 12 from 2013  
12 to 2014 unit net sales values increased by more than unit  
13 COGS.

14 Check; as shown at slide 13 in 2015 price  
15 increases would have been unlikely because unit COGS were  
16 declining. Check; slide 14 only a number of purchasers  
17 indicated that a Domestic Producer had reduced its prices to  
18 meet competition from Subject Imports. Check; moreover  
19 suppression is even less likely in this case than in the  
20 cold-rolled case given the predominance of overselling here  
21 and unlike in CORE, the decline in prices did not occur in  
22 the face of an increase in demand. The absence of  
23 adverse price effects means the absence of adverse impact by  
24 reason of Subject Imports. This was demonstrated by the  
25 Staff's Variance Analysis summarized at Slide 15. The

1       overwhelming factor in the decline in Domestic Industry  
2       performance was a negative price variance from 2013 to 2015  
3       which was driven by the even more negative price variance  
4       from 2014 to 2015 shown at slide 16. The slides also show  
5       that negative volume variances contributed very little to  
6       the decline in industry's profitability and were more than  
7       offset by positive net cost expense variances.

8               Finally, the Domestic Industry's investment  
9       indicators were strong including Big River's investment, the  
10      industry's capital expenditures far exceeded its  
11      depreciation over the POI as shown at slide 17. Moreover,  
12      despite Petitioner's claims that competition from Subject  
13      Imports led to increased financing cost and difficulties in  
14      meeting their interest expenses, slide 18 shows that the  
15      industry's interest expenses declined over the POI in  
16      absolute dollars, in dollars per short ton and as a  
17      percentage of sales.

18             Finally, with regard to threat I'd like to  
19      observe that prices have improved substantially in 2016 but  
20      this is a global phenomenon, not limited to the United  
21      States and therefore not attributable to the filing of the  
22      case. Demand for oil and gas is projected to recover  
23      beginning in 2017 and substantial new domestic capacity is  
24      coming online at Big River in late 2016 and early 2017  
25      giving customers more domestic options because the evidence

1 is that domestic mills are capacity constrained in 2016.  
2 This makes the import option less necessary or attractive.

3 Finally, a significant portion of the industry's  
4 downturn in profitability in the late POI was related to  
5 non-recurring charges associated with restructuring and  
6 other issues. These charges are by definition one-time  
7 events and not representative of what will be experienced  
8 going forward. For these reasons and for all the foregoing  
9 reasons, the Commission should reach a negative  
10 determination in this case. Thank you.

11 STATEMENT OF RICHARD O. CUNNINGHAM

12 MR. CUNNINGHAM: Mr. Chairman, I would like to  
13 stop the clock for a quick second for a housekeeping matter.  
14 We have three written statements that we'll be summarizing  
15 here today, mine, Mr. Aubuchon's and Mr. Malashevich's. I'd  
16 like to ask they be included in the record.

17 Okay, I'm Dick Cunningham Counsel to Tata Steel  
18 UK and Tata Steel Netherlands. I find myself in the truly  
19 embarrassing position of having to agree with Mr. Vaughn  
20 about something. The fundamental issue the Commission needs  
21 to address is as he said why the Respondent countries' volume  
22 and market share increased. That's the basis on which you  
23 have decided all of the steel cases you have considered over  
24 the past year. Your rationale for reaching affirmative  
25 determinations in each of those cases had two elements,



1       neither of which works in this case.

2               First, you've found that Subject Imports by means  
3       of pervasive underselling achieved increased market share in  
4       2014 and then held onto most of that market share in 2015.  
5       Second, you found that the Domestic Industry's operating  
6       results would have been materially better in both years had  
7       they held onto that market share. Neither of those are  
8       present here. There's no predominance of underselling here.  
9       Now in thinking about that, I want you to keep in mind what  
10      it is you're trying to find out when you look at  
11      underselling in this case.

12             You're trying to determine whether there was  
13      sufficient amount of underselling, that it explains a  
14      million ton increase in Subject Imports. It's in that light  
15      that Petitioners' argument totally fails. Not just because  
16      they want you to depart from the traditional analysis of  
17      numbers of quarterly comparisons which of course shows  
18      predominant overselling but more importantly their  
19      calculation of volume-based underselling yields an almost  
20      exactly mixed result, 52 percent to 48 percent.

21             Whatever you might say about that, it is  
22      preposterous to contend that those figures show enough  
23      underselling to cause a million ton increase in imports.  
24      Now as to the 2nd prong of your analysis that volume of  
25      Subject Import increase may look large in the abstract but

1 as Mr. Dougan made quite clear it's very small in the  
2 context of the huge hot-rolled market and it has no  
3 material impact on this industry. In that regard, look not  
4 only at the variance analysis to which Mr. Dougan referred  
5 but also look at the income statement model that you will  
6 find in the Tata Netherlands brief.

7 In addition, I want you to pay close attention to  
8 the testimony of Mr. Aubuchon and to read the written  
9 testimony of Mr. Malashevich. Both go to the point that  
10 U.S. Purchasers had to turn to imports, both subject and  
11 non-subject which by the way increased in 2014 even more  
12 rapidly and by almost as large an amount as Subject Imports.  
13 They turned to those imports because U.S. Producers were  
14 unable to supply substantial portions of the spot market in  
15 2014. In that regard, the most important testimony you  
16 heard today was given by Mr. Nelson of AK Steel. He stated  
17 explicitly that his company withdrew from the U.S. spot  
18 market in 2014. Think about that, they withdrew from the  
19 U.S. spot market in 2014. Remember that when you listen to  
20 Mr. Aubuchon explain why Steel warehouse had to turn to  
21 Subject Imports.

22 Now of course Mr. Nelson said that it's the  
23 result of low, aggressive pricing by Subject Imports but the  
24 record here shows that simply was not the case. Look at  
25 Table 4-2 page 4-6 of the Staff Report. The average unit

1 value of Subject Imports declined in 2014 by 1 dollar. Mr.  
2 Nelson would have you believe that this one dollar price  
3 decline was something AK simply could not compete with so  
4 they got out of the spot market. Surely that's not  
5 credible. Mr. Aubuchon will give you the true and credible  
6 story. Domestic firms, whatever their overall capacity  
7 might be, found themselves in a position where the increase  
8 in demand in 2014 coupled with some outages that we've  
9 talked about in this hearing and past hearings, forced them  
10 increasingly to decline spot business.

11 That should also put the so-called underselling  
12 of 2014 in context. This was not aggressive price-reduction  
13 by imports. Rather, domestic mills in a very strong market  
14 simply increased their prices by more than imports. Thank  
15 you.

16 STATEMENT OF DANIEL EVERSMEYER

17 MR. EVERSMEYER: Good afternoon. My name is Dan  
18 Eversmyer. I'm the Corporate Strategy Manager at POSCO  
19 America, which is a subsidiary of POSCO. I deal extensively  
20 with POSCO's corporate relationship with U.S.S. POSCO  
21 Industries or UPI, a joint venture between U.S. Steel and  
22 POSCO. UPI is a Domestic Producer of pickled & oiled

23 hot-rolled, cold rolled, galvanized and tin plate located in  
24 Pittsburg, California with more than 650 employees  
25 including 488 steelworkers represented by the United

1 Steelworkers Union.

2 Since UPI began operations in 1986 its business  
3 model has been based on utilizing coils from the joint  
4 venture partners including hot-rolled produced by POSCO in  
5 Korea to produce downstream flat-rolled products for  
6 domestic customers competing largely with imports of those  
7 products in the Western market. Stated simply, without  
8 access to POSCO hot-rolled coil I strongly believe that  
9 UPI's viability is seriously in question and that neither  
10 POSCO nor U.S. Steel could have justified the hundreds of  
11 millions of dollars of investments of UPI without the  
12 assurance of dedicated hot-rolled supply from POSCO.

13 The unique nature of POSCO's supply to UPI was  
14 recognized in 1993 hot-rolled determination by the ITC,  
15 which decumulated imports of hot-rolled steel from Korea and  
16 the 2002 steel safeguard which provided a separate quota for  
17 POSCO and UPI. Given the importance of POSCO's hot-rolled  
18 steel exports to the sustainability of UPI the Commission  
19 may wonder why they are not here today to state its case and  
20 answer the Commission's questions. The answer is simple.  
21 While POSCO supported UPI's request to be here today, U.S.  
22 Steel denied UPI permission to appear and testify on its own  
23 behalf.

24 Both joint venture partners have the right under  
25 the joint venture agreement to supply UPI with up to fifty

1 percent of UPI's hot-rolled coil needs. However, during the  
2 period of this investigation U.S. Steel elected not to  
3 supply anywhere close to the full quantity of hot-rolled to  
4 which it is entitled. Historically, POSCO and U.S. Steel  
5 have each supplied roughly half of UPI's band requirements  
6 with a price based on a formula inclusive of freight as  
7 agreed to by representatives of POSCO and U.S. Steel on  
8 UPI's management committee. Since 2013 however U.S. Steel  
9 supply of hot-rolled UPI has declined significantly.

10 As a result, POSCO has increased its share of  
11 hot-rolled supply to above its fifty percent share to ensure  
12 that UPI has a feed stock that it needs to operate its mill.  
13 Because of U.S. Steel's decision to reduce its supply, both  
14 partners agreed in 2013 that UPI would be authorized to  
15 purchase hot-rolled from 3rd parties under certain  
16 conditions regarding price and importantly quality. Both  
17 U.S. Steel and POSCO have to approve the 3rd party suppliers  
18 to UPI and both companies have a right of first refusal on  
19 all shipments.

20 In October 2013, UPI requested bids from 5  
21 domestic mills to supply up to one hundred thousand tons per  
22 year of hot-rolled coil beginning in 2014. Some mills did  
23 not respond at all and only one domestic mill negotiated  
24 beyond quality parameters. As a result, most third parties  
25 who supply to UPI has been imported and POSCO has exercised

1 its rights to supply an increased share of UPI's hot-rolled  
2 requirements.

3 Virtually every major Domestic Producer with cold  
4 reduction facilities has an established, dedicated supply of  
5 substrate. This includes Western market companies  
6 Steelscape and CSI, the latter of which supplies import slab  
7 primarily from its owners. The alternative to dedicated  
8 supply is merchant supply and the difficulty is that  
9 integrative producers will supply their own cold-rolled and  
10 galvanized mills before selling hot-rolled on an emergent  
11 market.

12 Therefore continuous and reliable supply in the  
13 volumes and quality required to operate efficiently cannot  
14 be assured. The other reason for the importance of  
15 dedicated supply is that variances in hot-rolled suppliers  
16 introduce a significant variable into the chemistries,  
17 dimension, surface quality and performance characteristics  
18 of UPI's finished products making it difficult to meet  
19 customer specifications in a reliable and consistent manner.

20 POSCO has replaced third party imports with  
21 additional POSCO supply. UPI was designed to run extra  
22 large coils and the average POSCO hot-rolled coil is  
23 1279/per inch width. These large coils enhance UPI's  
24 efficiency and cost effectiveness. Incoming hot-rolled coil  
25 size directly impacts line yields and unit productivity and

1       there are few mills in North America that can produce coils  
2       this large.

3               Additionally, UPI is located on the West Coast  
4       which is far from domestic hot-rolled production that's  
5       concentrated in the Midwest and the South. Freight is an  
6       important issue when considering supply of UPI or any West  
7       Coast producer for that matter. The issue is not only one  
8       of cost, it's also one of rail capacity. While there is  
9       rail capacity to temporarily meet intermittent needs, the  
10      lack of railcar capacity interferes with the ability of  
11      mills of the South and the Midwest to ship large quantities  
12      of hot-rolled coil to the West Coast on a timely and regular  
13      basis. When operating at normal levels, UPI requires more  
14      than one million tons per year of hot-rolled.

15             Finally, UPI is an important part of the domestic  
16      market for downstream products on the West Coast. It is the  
17      only Domestic Producer of tin plate and over 90 percent of  
18      all of UPI's customers are located in California, Oregon and  
19      Washington. Absent UPI, the West Coast will be dramatically  
20      undersupplied leading to severe economic disruption and  
21      increased imports of tin plate and other downstream  
22      products. Absent an ability to source hot-rolled coils from

23      its parent company I have serious concerns about UPI's  
24      long-term viability. Thank you.

25             MR. CROSS: Good afternoon. My name is John

1 Cross and I'm the President of Steelscape, LLC, an American  
2 producer of corrosion resistant steels located in Kalama,  
3 Washington and Rancho Cucamonga, California.

4           Steelscape does not manufacture or sell  
5 hot-rolled steel in the U.S. Instead, we purchase  
6 hot-rolled coil, largely from our two owners, BlueScope  
7 Steel, Ltd. of Australia and Nippon Steel and Sumitomo  
8 Metals Corporation of Japan. We then cold roll all the  
9 hot-rolled coil we purchase in our Kalama facility and  
10 either galvanize the cold-rolled steel in Kalama or send it  
11 to our Rancho Cucamonga facility for zinc aluminum coating.

12           About half of our cold-rolled coil goes to  
13 Rancho and the other half stays in Kalama. We also paint  
14 most of the coated steel we produce in our two facilities  
15 and sell most of the products to the building and  
16 construction industry.

17           Steelscape employs roughly 400 people in our two  
18 facilities in the cold-rolling, coating, and painting of our  
19 products for the American market. It is my belief that for  
20 a number of reasons the Australian and Japanese hot-rolled  
21 steel that Steelscape imports for our coated steel  
22 production does not compete with hot-rolled steel produced  
23 by U.S. mills.

24           With our facilities located entirely on the West  
25 Coast, Steelscape cannot purchase hot-rolled steel



1 economically from U.S. mills located east of the Mississippi  
2 because of high rail freight costs. Although there is some  
3 limited hot-rolled steel available in the market from the  
4 Western U.S. mills, these mills have proven, historically,  
5 unable or unwilling to provide us with our needs for  
6 hot-rolled coil and Steelscape is not situated or structured  
7 to receive significant volumes of hot-rolled coil by rail,  
8 which is how it would have to be delivered by U.S. mills.  
9 It is structured to receive steel by ocean vessel.

10 As a result, Steelscape is not historically able  
11 to obtain meaningful supplies of hot-rolled steel from  
12 domestic suppliers. Even after most foreign hot-rolled  
13 producers were hit with high antidumping and countervailing  
14 duties, Steelscape has not purchased a single additional ton  
15 of steel from domestic mills. The hot-rolled coil we  
16 purchased from abroad, therefore, does not displace any  
17 domestic hot-rolled coil produced in the United States.

18 Let me explain in greater detail why this is so.  
19 The lion's share of the hot-rolled steel produced for the  
20 market in this country is produced by mills located in the  
21 Midwest around the Great Lakes. To ship steel to the West  
22 Coast these mills have to send their steel by rail across  
23 the Rocky Mountains. This is an expensive proposition.

24 BlueScope has included in its brief a table  
25 comparing freight rate quotes Steelscape has received from

1 actual U.S. mills to deliver to Kalama and ocean freight  
2 rates for delivery from Australia and Asia. Although  
3 freight rate costs do vary from mill to mill, in general, we  
4 have found that rail freight costs from U.S. mills run about  
5 \$65 a ton higher than the cost of ocean freight from  
6 Australia and Asia. This is a very significant difference  
7 to us. \$65 a ton can be anywhere between 10 and 15 percent  
8 of our raw material costs, even when the ex-mill price of  
9 hot-rolled coil is the same. An increase of that amount in  
10 our raw material costs would in most case virtually  
11 eliminate the profit we would make on the sale of our  
12 corrosion resistant coils. That makes purchasing hot-rolled  
13 coil from east of the Mississippi economically  
14 impracticable.

15 In addition, rail freight deliveries have often  
16 been an iffy proposition. Rail deliveries can be  
17 challenging at certain times of the year due to commodity  
18 traffic and weather. On the West Coast, we've encountered  
19 difficulties even shipping our own cold-rolled steel to  
20 California in the autumn months because of high demand for  
21 rail transportation of grain exports.

22 Similarly, shipping across the Rocky Mountains  
23 is also subject to considerable weather delays in winter.  
24 So we just cannot be sure of a steady, reliable supply of  
25 hot-rolled steel by rail. Of course, U.S. mills east of the

1 Mississippi are not the only domestic sources of our  
2 hot-rolled coil. There are two mills, EVRAZ in Portland,  
3 Oregon and California Steel Industries in Fontana,  
4 California. EVRAZ, unfortunately, does not manufacture  
5 hot-rolled steel in gauges that are thin enough to be used  
6 by our Kalama facility. Although we have run trials of  
7 EVRAZ steel from time to time in the past, we've found  
8 that it cannot be used by our machinery.

9           The other U.S. producer on the West Coast is  
10 CSI, which, in fact, is located just a few miles from our  
11 facility in Rancho Cucamonga. Our Rancho facility, however,  
12 does not have a cold rolling mill, so we'd only be able to  
13 purchase cold-rolled steel, not hot-rolled coil from CSI.  
14 CSI is a producer of cold-rolled and coated steel that  
15 competes with our Rancho facility. It has not been willing  
16 to sell cold-rolled steel to us for reasons detailed in  
17 BlueScope's brief.

18           We have had discussions with CSI in the past  
19 about purchasing their hot-rolled steel for us. Doing so,  
20 however, would require the steel to be shipped from CSI's  
21 mill in southern California to our facility in Kalama,  
22 Washington, which would require additional freight costs and  
23 so we have not been able to come to an arrangement with CSI  
24 to purchase its steel, although we have tried.

25           Beyond these difficulties we've encountered in

1 seeking domestic supply for our hot-rolled coil, I have to  
2 state that Steelscape is fundamentally not structured to  
3 receive hot-rolled coil domestically. Our facility in  
4 Kalama, where we receive all of our incoming supply of  
5 hot-rolled coil, is located immediately adjacent to a deep  
6 water port facility on the Columbia River. Shipment by  
7 ocean vessel is not subject to winter weather delays as the  
8 Columbia River does not freeze in the winter. Further, the  
9 port is only a few hundred yards from our hot-rolled  
10 receiving area. An entire vessel with up to a month's  
11 supply of steel can be off-loaded and sent to our stockyard  
12 in a matter of two days. Entry by ship is economical,  
13 efficient, and quick.

14 In contrast, our mill is not structured to  
15 receive large quantities of coil by rail. As I said,  
16 Steelscape ships about half the cold-rolled coil we produce  
17 to our Rancho facility for zinc aluminum coating and  
18 painting. This requires us to use a large number of rail  
19 cars to ship the cold-rolled steel out. Doing so taxes our  
20 crane capabilities and staff, especially when we purchase  
21 even small quantities of hot-rolled coil from our affiliate  
22 in Ohio, North Star or BlueScope.

23 If we were to purchase our hot-rolled coil needs  
24 from domestic mills we would have to bring the steel in by  
25 rail to the same space we use to ship cold-rolled out. That

1       could mean doubling or even tripling the number of rail cars  
2       in our facility. We just don't have the space to hold that  
3       many cars in our Kalama site. And given the adjacent  
4       properties, our options to accommodate the additional cars  
5       would be extremely limited.

6               As I think you can see, purchasing our  
7       hot-rolled steel requirements from U.S. mills is not a  
8       realistic possibility for Steelscape. We cannot obtain that  
9       material economically from mills east of the Mississippi and  
10      we've been able to purchase from West Coast suppliers. We  
11      are structured to receive steel by ocean vessel and could  
12      not purchase our hot-rolled coil requirements from domestic  
13      mills without incurring prohibitively high additional costs.

14             As a result, U.S. mills simply do not compete  
15      with our foreign suppliers for our needs for hot-rolled  
16      coil. What this means for the long-term is that  
17      restrictions on the importation of hot-roll steel as a  
18      result of this investigation threatens Steelscape's  
19      viability as a U.S. producer of corrosion resistant steel  
20      products.

21             We employ some 400 people in our two facilities  
22      and these are good jobs with good pay. Particularly, in the  
23      Pacific Northwest jobs like this are hard to come by. Due  
24      to the continued decline of the logging industry, Steelscape  
25      has become one of the few remaining employers offering

1 productive, high-wage jobs to American workers in the area.

2 As for California, I was recently in Rancho  
3 visiting our facility there when I was approached by a  
4 number of our employees, members of the USW. They came to  
5 thank me, personally, for fighting in this proceeding to  
6 assure that our operations in California can continue.  
7 These workers understand well that their jobs will be in  
8 peril if we are not able to import hot-rolled steel from  
9 Australia and Asia as our plant is designed to do.

10 In closing, let me say that as a U.S. producer  
11 of coated steel products, I am very concerned about the  
12 future of our operations if this case should result in high  
13 duties on our import sources. Steelscape and our Australian  
14 and Japanese suppliers are in a unique position. Steelscape  
15 must have imported steel to survive as a U.S. steel  
16 producers. High dumping duties on Australia and the  
17 Japanese steel threaten our very existence as an American  
18 provider of good, productive jobs to American Workers.  
19 Thank you.

20 STATEMENT OF TAKASHI SEKINO

21 MR. SEKINO: My name is Takashi Sekino. I am  
22 Executive Vice President NSSM USA, a subsidiary of NSSMC of  
23 Japan. My marketing experience at these firms gives me  
24 strong knowledge of the U.S. and global market for steel  
25 products. I want to stress that Japanese hot-rolled steel

1 imports do not compete with U.S. hot-rolled product and  
2 therefore do not injure the U.S. industry, for at least  
3 three reasons.

4 First, over 80 percent of hot-rolled steel  
5 exports from NSSMC during the POI were sold to U.S.  
6 affiliates of Japanese producers for captive consumption,  
7 with a remainder being steady volumes to a few U.S.  
8 customers that have a long-term relationship with NSSMC.

9 Most importantly, the bulk of NSSMC's shipments  
10 are to Steelscape, a 50/50 joint venture between NSSMC and  
11 BlueScope Steel, Ltd., of Australia. Steelscape sources  
12 almost all of its hot-rolled coil from NSSMC in Japan and  
13 BSL in Australia pursuant to an explicit agreement among  
14 these entities. Such dedicated supply for captive  
15 consumption does not compete with U.S. hot-rolled steel  
16 products.

17 Second, a clear majority of NSSMC's hot-rolled  
18 steel exports are shipped to the West Coast for customers  
19 located in that region. Of note, Steelscape's production  
20 facilities are in Washington and California, as are the  
21 facilities of other NSSMC customers. These customers have  
22 told us that freight costs and railcar storages make supply  
23 from U.S. mills located in the eastern half of the United  
24 States noncompetitive and not feasible for large volume  
25 shipments to the West Coast. For this reason, any

1     antidumping order on Japan would only increase imports from  
2     non-subject Asian countries to the West Coast, not benefit  
3     U.S. mills.

4             Third, substantial quantities of hot-rolled  
5     steel exports from NSSMC to the United States, particularly  
6     for the automotive and tubular good sectors are products  
7     that our customers find to be superior quality to domestic  
8     products due to the technical limitations of U.S. mills or  
9     inadequately supplied by U.S. mills. This is well  
10    documented by confidential information on the record and  
11    will be further addressed by Mr. Dennis of Quality Tubing.  
12    Such imports do not compete with U.S. hot-rolled steel  
13    products.

14            Finally, I want to address the issue of critical  
15    circumstances. NSSMC's hot-rolled steel exports to the  
16    United States in each full year of the POI declined while  
17    the timing and volume of the shipments fluctuated based  
18    solely on the needs of our customers. Our shipments in the  
19    latter half of 2015 were entirely unrelated to the filing of  
20    the petition and therefore do not give rise to critical  
21    circumstances. Thank you.

22                    STATEMENT OF TADAAKI YAMAGUCHI

23             My name is Tadaaki Yamaguchi, President of JFE  
24     Steel America, a subsidiary of JFE Steel Corporation of  
25     Japan. I have been in my current position since April 2015,



1 but I have worked in the steel industry since 1990.

2 First, I agree with Mr. Sekino as to why  
3 Japanese and the U.S. hot-rolled steel products do not  
4 compete with one another in the U.S. market. The bulk of  
5 our exports to the United States are to Gulf Coast tubular  
6 goods customers that have found our product to be of  
7 superior quality to U.S. products, have required alternatives  
8 to U.S. supply to mitigate supply change risk, and/or have  
9 found transport costs to favor importing products from Asia.

10

11 In addition, a sizable share of our hot-rolled  
12 steel exports to the United States go to our West Coast  
13 affiliate, and the affiliate could not obtain that product  
14 domestically, both because of the required specifications  
15 and high domestic transport costs.

16 Second, I would like to address the issue of  
17 threat. The Japanese mills pose no threat to the U.S.  
18 industry because our focus is primarily on our home market  
19 of Japan and the Asian export markets where we each have  
20 numerous investments, joint ventures, and long-term  
21 customers. That is why we account for an extremely small  
22 share of the U.S. market. In addition, the Japanese  
23 capacity utilization rate for hot-rolled steel production is  
24 very high, between 93 and 96 percent during 2013 to 2015 and  
25 expected to increase to 97 percent in 2017.

1                   Finally, third country trade remedy actions have  
2                   had minimal impact on the Japanese mills due to exclusions,  
3                   small margins, and the inconsequential market size. For  
4                   these reasons the Japanese mills have no reason to and  
5                   cannot expand exports to the United States.

6                   Last, I want to make clear that there is no  
7                   basis for the Commission to find that critical circumstances  
8                   exist as to JFE. The quantity of JFE's shipment to the  
9                   United States did not change because of the filing of the  
10                  antidumping petition last year. Rather, our hot-rolled  
11                  steel shipments to the United States in 2015 reflected  
12                  pre-existing commitments and were unrelated to the filing of  
13                  the petition, as I have explained in the confidential  
14                  statement I have provided. Thank you.

15                  STATEMENT OF DANIEL DENNIS

16                  MR. DENNIS: My name is Dan Dennis. I'm  
17                  President of NOV Quality Tubing in Houston, Texas. I've  
18                  been with Quality Tubing for 24 years and became its  
19                  president three years ago.

20                  Quality Tubing is a 40-year old company and a leader  
21                  in coil tubing manufacturing. Coil tubing is a consumable  
22                  product for the upstream oil and gas industry. Today I'll  
23                  explain the requirements we place on a new supplier and why  
24                  NSSMC and its predecessor, Sumitomo Metals Industries, has  
25                  been the primary supplier of hot-rolled coils for our

1 industry leading tubing grades, QT-1000 and QT-1100, for  
2 more than 20 years.

3           These flagship products satisfy the requirements  
4 of key customers like Halliburton and Baker Hughes. In  
5 qualifying a supplier, our top concerns are technical  
6 capability and timely delivery. Following the earthquake  
7 and Tsunami of 2011, that disrupted the supply of steel from  
8 Japan, we reached out to AK Steel to determine if they could  
9 produce the grades of hot-rolled steel that NSSMC had been  
10 supplying. The qualification process took more than a year  
11 and a half and we finally qualified AK Steel in January  
12 2014.

13           Unfortunately, a comparison of the coils  
14 received from AK Steel with those historically received from  
15 NSSMC revealed substantial differences in terms of defect  
16 rate, control of mechanical properties within individual  
17 coils, slab weight, and coil length. AK Steel had a defect  
18 rate of over 1 percent, while NSSMC had a defect rate of  
19 about .1 percent. AK Steel's yield strength variation  
20 range is far greater than that of NSSMC, and AK Steel's  
21 maximum and average coil weights were more than 16 percent  
22 below those of NSSMC.

23           These problems mean that while, theoretically,  
24 Quality Tubing could use coils from both AK Steel and NSSMC,  
25 we incur substantial additional manufacturing costs when we

1 use AK Steel's material. A higher defect rate means  
2 manufacturing losses. A lower coil weight means shorter  
3 coils, which require more welds in the final product.

4 We calculated that if we had used AK Steel  
5 exclusively in 2014 for our QT-1000 and QT-1100 grades, the  
6 higher defect rate would've meant additional product costs  
7 of over \$1 million, while shorter coils would've added  
8 welding costs of almost \$600,000. Also troubling is that AK  
9 often missed its delivery deadlines. That negated the lead  
10 time savings we had sought to achieve by sourcing from a  
11 U.S. mill. And just this past April, AK Steel refused  
12 entirely to issue a quote.

13 The bottom line is that AK Steel's inability to  
14 provide the same quality products and reliable delivery as  
15 NSSMC means that the two products really do not compete.  
16 NSSMC's product is highly preferred and essential to Quality  
17 Tubing's continued success. Thank you.

18 STATEMENT OF GORDON AUBUCHON

19 MR. AUBUCHON: My name is Gordon Aubuchon. I'm  
20 the Executive Vice President for Steel Warehouse Company.  
21 Steel Warehouse is part of a group of companies that  
22 purchase, process, and distribute flat-rolled carbon steel  
23 throughout the United States, Mexico, and Brazil. Our  
24 company was founded in South Bend, Indiana in 1947 by Nate  
25 Lerman and the company has remained a family-owned business

1 for almost 70 years.

2 Today we have over 20-plus locations, including  
3 three manufacturing plants in the Cleveland, Ohio area. We  
4 have invested heavily in capital equipment that allows us to  
5 process and fabricate flat-rolled steel into a variety of  
6 forms to serve our customers. This includes pickling, temper  
7 passing, cold-rolling, kneeling, leveling, blanking, tube  
8 making, and fabrication.

9 We purchase more than 1.5 million tons of steel  
10 annually with the majority being hot-rolled coil. We have a  
11 very diverse customer base, including agricultural  
12 equipment, construction, energy, automotive, semi-truck and  
13 trailer. We are proud that we currently employ 1,873  
14 American workers. I'm here to explain to you today why our  
15 company had to increase its purchases of foreign steel  
16 during the period you are investigating and in particular,  
17 why we looked to Tata Netherlands during that period.

18 I first want to emphasize that Steel Warehouse  
19 has always looked within the U.S. for the vast majority,  
20 typically 75 percent or more, of our hot-rolled steel  
21 purchases. We depend upon our relationship with domestic  
22 mills and will continue to do so. We have a diverse  
23 customer base and we have, over the years, found that they  
24 have needs that in some respects cannot be met by the U.S.  
25 mills.

1                   For over 60 years, we've worked with Tata  
2 Netherlands to develop solutions for our customers that  
3 allowed them to improve their productivity and the quality  
4 of the parts that they manufacture. There are many examples  
5 over the years where we were able to purchase steel from  
6 Tata Netherlands that we were unable to procure from  
7 domestic mills on a consistent basis. We have letters from  
8 our customers that indicate this fact and we will be happy  
9 to provide them to the Commission as part of a confidential  
10 submission after the hearing.

11                   These examples reflect attributes such as surface  
12 quality, dimensional tolerance, control, and mechanical  
13 properties. We've tried domestic products repeatedly to  
14 meet these specific demands. Our customers would not accept  
15 the material. In fact, in response to questions to our  
16 domestic suppliers we were told to purchase for these  
17 applications products from foreign suppliers; therefore, the  
18 U.S. mills did not lose any domestic sales because of our  
19 foreign purchases of these products.

20                   If they were no longer imported, these products  
21 would most likely be lost, shifted to other foreign mills,  
22 or worse the subcomponents made from this steel instead  
23 would be made outside the United States. The level of  
24 participation with Tata Netherlands also rises and falls  
25 based on the mix of customer demand that we have from

1 year-to-year. All of our purchases are specific to our  
2 customers' demands. If we have a year when our specialty  
3 steel requirements increase it follows that our reliance on  
4 Dutch imports on a percentage basis goes up.

5 In the period that this Commission is  
6 investigating, our demand parallels that of the industries  
7 we serve. 2014 was a boom year. 2015 was a bust year.  
8 These realities, coupled with the production outages drove  
9 the consequences of both periods. 2014 was an exceptional  
10 year. Steel demand boomed. Conversely, there were  
11 unplanned outages limiting the ability of U.S. suppliers to  
12 meet that demand. Supply from domestic mills was  
13 constrained in the first half of 2014 due to the extremely  
14 harsh winter, which resulted in supply interruptions.

15 In addition, there were unplanned production  
16 outages that further disrupted supply. We will document  
17 both in a post-hearing submission.

18 Second, there was a lot of demand for steel  
19 going into energy-related projects and the automotive  
20 industry, automotive being up 1.2 million cars in 2014  
21 compared to 2013. That kept the order books of the U.S.  
22 domestic mills filled and limited availability of  
23 U.S.-produced hot-rolled steel products for other markets.  
24 Adequate spot market availability in 2014 simply wasn't  
25 there.

1                   Let me turn now to 2015. Our perspective on the  
2 collapse of hot-rolled steel market prices that started at  
3 the beginning of 2015 is that a main contributor was the dramatic  
4 drop in demand for steel going into the energy and related  
5 sectors. That was a direct result of lower oil prices, not  
6 imports from Tata Netherlands. The difference between 2014  
7 and 2015 was remarkable, going from a boom year to a bust  
8 year.

9                   Another factor was lower input costs. For  
10 example, scrap prices dropped 40 percent in 2015. Other  
11 inputs such as iron ore also dropped dramatically in price.  
12 This was important because customers follow raw material  
13 prices and they expect to see changes reflected in the  
14 prices they pay for their next purchases, especially when  
15 raw material prices drop their expected prices to follow.

16                  We do not feel that the participation in the  
17 U.S. market of Tata Netherlands had any impact in driving  
18 the market price for hot-rolled steel down in 2015. This  
19 mill has been supplying our company for many decades,  
20 year-in-and-year-out. We buy from this mill not because of  
21 price, but rather for quality, availability, flexibility,  
22 and technical support.

23                  We feel strongly that any trade action against  
24 the Netherlands for hot-rolled steel products has the  
25 potential to damage our ability to service a portion of our



1 customers in the U.S. It is likely that such actions could  
2 ultimately hurt manufacturing in the U.S. and the jobs  
3 associated with that manufacturing. I would be happy to  
4 answer any questions the Commission may have.

5 STATEMENT OF UGUR DALBELER

6 MR. DALBELER: Ladies and gentlemen of the Commission  
7 good afternoon. My name is Ugur Dalbeler. I am here today  
8 on behalf of the Turkish Steel Exporter's Association. I am  
9 a Board member and also the CEO of Colakoglu Metallurgy, a  
10 producer and an exporter of hot-rolled steel. I have 30  
11 years of experience in this business. I will make a brief  
12 statement now.

13 On behalf of the whole Turkish industry I want to  
14 state for the record that 1: We do not receive any  
15 government subsidies and 2: We do not dump steel in any  
16 market including the U.S. We have seen this been confirmed  
17 in the 2014 rebar investigation and hopefully we will see it  
18 tomorrow in this case.

19 Our industry is extremely efficient and  
20 experienced in competing in the world markets. We are  
21 significant exporters in many markets including the U.S.  
22 Unfortunately as a world class industry we also become a  
23 target to the trade complaints. We have never been afraid  
24 of these investigations. On the contrary, we see these  
25 cases as opportunities to demonstrate that we trade our

1 goods at fair prices in accordance with WTO rules.

2 Twice now in two major cases rebar and HRS --  
3 Commerce Department found no subsidies yet we have heard the  
4 domestic industry talk on and on about the Turkish steel  
5 industry being subsidized. Turkish steel companies are  
6 profit oriented private enterprises and receive no sector  
7 specific government support as mandated under ESCS  
8 agreement.

9 To the contrary, our government imposes extra  
10 taxes and costs on our industry because we are profitable.  
11 Turkey was left out of the recent EU HRS dumping  
12 investigation despite EU being a major market for Turkey.  
13 The EU knows Turkey is a fair trader. Our industry produces  
14 the highest quality products and delivers these products all  
15 around the world with its advanced logistic infrastructure.  
16 I would like to note that we do not see any American steel  
17 in international markets.

18 Because of our favorable geo-political location  
19 we are able to export Turkish steel to more than 180  
20 different countries for the last 30 years. We understand  
21 that the concerns are being raised over the welding imports  
22 from subject countries including Turkey but this must be  
23 placed in context.

24 First of all even at its peak Turkish market  
25 share has never reached 1%. Second, my company Colakoglu

1 has exported the majority of HRS from Turkey. When we are  
2 structuring our HRS business in the U.S. we were very  
3 careful to conduct our trade in a responsible manner. We  
4 have established our own marketing structure to provide  
5 services to our customers at the same level of the domestic  
6 producers.

7 We compete not just on price but also on quality  
8 and the customer service so we can maximize our prices in  
9 this market. Indeed in many cases we know our prices have  
10 been higher than U.S. prices. The other exporter Agnamar,  
11 is the market leader in Turkish domestic market and I know  
12 that they will refrain from exporting if price level is not  
13 right.

14 We believe this is the responsible approach and  
15 also being reflected in our actual trade as the significant  
16 instances Turkey oversold to domestic producers.  
17 Petitioners state that there is low demand for HRS in the  
18 Turkish domestic market as well as in our export markets.  
19 These statements are simply not true. According to the  
20 World Steel Association figures Turkey is number one in  
21 terms of the recorded increase in apparent steel  
22 consumption.

23 Flat steel consumption in the country has  
24 increased nearly 50% since 2010. Turkey is both the 9th  
25 largest producer of steel in the world and the 5th largest

1 importer so the Turkish market is huge. But you use the  
2 major markets, the Turkish HRS and we expect our exports,  
3 the ongoing EU anti-dumping investigation against Russia and  
4 other countries will strengthen our market position there.  
5 And we serve a number of other growing and dynamic export  
6 markets.

7 In 2016 Egypt for example is our largest export  
8 market the same price to EU in Turkey -- more than half of  
9 the European HRS export ends up in Turkey -- in fact Turkey  
10 is the biggest market for ArcelorMittal and U.S. Steel  
11 Petitioners in this very case.

12 We are having difficulty understanding their  
13 complaints about our exports. Since the early days of my  
14 career I have witnessed many steel trade cases. I have  
15 been involved in the U.S. trade cases including rebar cases  
16 and this one. Having had a chance to compare proceedings  
17 from different countries I have always had a huge respect in  
18 the way these investigations are being conducted by the U.S.  
19 We always have full confidence that we will get fair  
20 treatment.

21 But now am concerned to see that the process is  
22 getting more politicized now. We have seen letters being  
23 sent from the Congressmen and Senators and what we have  
24 recently experienced in this investigation and verification  
25 is very different than what we have seen in the past in

1       these investigations.

2                       It seems impossible not to see Commerce  
3       Department's deliberate attempt to inflate dumping and  
4       subsidy margins but we still are confident that the  
5       Commission will remain objective in this case. Thank you  
6       for your attention I will do my best to answer any questions  
7       you might have.

8                       STATEMENT OF JERRY RICHARDSON

9                       MR. RICHARDSON: Hello Mr. Chairman and members  
10       of the Commission my name is Jerry Richardson. I am the  
11       General Director at CSN, LLC. CSN is a U.S. producer of  
12       cold-rolled and corrosion resistant steel located in Terre  
13       Haute, Indiana. CSN employs 215 workers at its U.S.  
14       production facility which has been in operation since 2001.  
15       CSN purchases hot-rolled steel for its U.S. production  
16       operation from domestic producers and also imports  
17       hot-rolled steel from its parent company CSN SA in Brazil.

18                      In addition CSN, LLC imports hot-rolled steel  
19       from CSN Brazil for sale to the U.S. merchant market. Our  
20       merchant market sales are made mainly to distributors and  
21       service centers who in turn serve the construction and  
22       automotive sectors. We have increasingly come to rely on  
23       imports of hot-rolled from CSN Brazil for our internal  
24       production because we need a dedicated source of supply that  
25       is independent of the domestic producers.

1 CSN provides us with a consistent reliable  
2 product that runs very well on our equipment. Our  
3 experience with U.S. merchant market supply has been that  
4 differences among hot-rolled suppliers leads to significant  
5 variation in the chemistry, dimensions, surface quality and  
6 tolerances of our products -- all of which affects our  
7 operational efficiency.

8 In addition all the major U.S. producers of  
9 hot-rolled compete with us in the downstream markets for  
10 cold-rolled and corrosion resistant steel. For obvious  
11 reasons we are not considered a priority customer by our  
12 U.S. competitors and this has made it difficult for us to  
13 rely on them.

14 Moreover, there have been many times over the  
15 last three years when lead times among the suppliers have  
16 lengthened substantially making it difficult to manage a  
17 reliable supply chain. Long lead times were a problem in  
18 the first quarter of 2014 and again briefly in the summer of  
19 2015 and finally most recently since March of 2016. We will  
20 be submitting a chart showing lead times in our post-hearing  
21 brief. What this means is that we cannot rely on the  
22 hot-rolled arriving when we need it. When you have  
23 encountered disappointment and delays multiple times you  
24 begin to look for alternatives and an obvious alternative  
25 for us was CSN Brazil.

1           Because freight is a major component of raw  
2       material cost we primarily supply our plant from nearby  
3       mills such as Nucor, SDI and AK Steel. Unfortunately we  
4       have also had substantial quality problems with material  
5       produced by several of these domestic suppliers.

6           Not only have we experienced sub-standard quality  
7       but the resolution of claims has been very slow. We will be  
8       submitting in our post-hearing brief a summary of the claims  
9       and the percentage of instances across these suppliers. CSN  
10      is a late gauge boutique mill supplying tight tolerance  
11      products rolled to precision gauges.

12          Some U.S. suppliers have been unable to  
13      consistently meet our requirements making it necessary to  
14      take excessive trim resulting in increased yield costs. We  
15      also made some limited commercial shipments to customers of  
16      Brazilian material in 2015, particularly in the first  
17      quarter in response to the strong demand situation in late  
18      2014 in the U.S. market.

19          Once it was apparent that the market was turning  
20      down in 2015 and U.S. producers were facing reduced demand  
21      in the pipe and tube sector we reduced our shipments  
22      accordingly. Pricing in the hot-rolled market has  
23      fluctuated significantly in the last three years due to raw  
24      material costs and declining demand in the pipe and tube  
25      sector.

1           In 2016 raw material costs began to increase and  
2   hot-rolled prices also increased worldwide. But in 2015  
3   when raw material prices were low and the demand for  
4   hot-rolled coil dropped dramatically due to the fall in oil  
5   and gas related sectors the combination had an overwhelming  
6   effect on the pricing of hot-rolled coil and we saw plunging  
7   prices. U.S. producers felt those effects first and led  
8   prices down.

9           Finally you are undoubtedly aware of the  
10   financial problems in Brazil. It presents substantial  
11   obstacles for us as a company. While Brazilian companies  
12   are fairly adept at dealing with difficult economic  
13   conditions the current situation is really extreme. We face  
14   substantial supply and production problems.

15           One of CSN's blast furnaces representing 35% of  
16   production has been down since January and we do not know  
17   when it will be placed back into service. We have had to  
18   purchase slab or hot-rolled coil to supply downstream  
19   operations and due to the fact that CSN's credit rating is  
20   low, we have been forced by our suppliers into cash in  
21   advance purchases and given that interest rates in Brazil  
22   currently top 14% that has made it very difficult for us to  
23   operate at normal levels.

24           I did want to go off script since I have 35  
25   seconds and agree with a comment from the Petitioners this



1 morning that they do indeed climb over dead bodies to get  
2 their next order. Just before lunch I received an offer  
3 from one of our domestic suppliers which was \$60 lower than  
4 the price one month ago. This has nothing to do with raw  
5 material costs, nothing to do with imports -- I think they  
6 do a pretty good job of beating each other up so thank you  
7 very much.

8 STATEMENT OF THOMAS TRENDL

9 MR. TRENDL: Good afternoon my name is Tom Trendl. I am  
10 here on behalf of Tata UK. I was originally given 60  
11 seconds of time to speak about the UK. I am now told there  
12 is some extra time and I can have 90 seconds up from my 60  
13 and I suppose that is a "massive surge" in the eyes of the  
14 Petitioners.

15 Only two points -- first Tata UK fully endorses  
16 and supports the material injury arguments presented today  
17 by Tata Netherlands and Mr. Cunningham. Second, contrary to  
18 claims from some Petitioners, Tata UK is in no possible way a  
19 threat to the United States industry. Tata UK has been a  
20 miniscule player in the U.S. market with the market share  
21 never exceeding 1%.

22 It sells the vast majority of its hot-rolled  
23 steel in the whole market and this will continue to be the  
24 case. It holds no commercial inventories in the United  
25 States or the U.K. While its capacity utilization has not

1       been as high as Tata UK would like, it has historically been  
2       somewhat low and this has never occurred in a vast amount of  
3       sales to the United States and will not do so in the future.

4               The UK exports barely register a blip in the U.S.  
5       market. It cannot have a price impact. Finally, perhaps  
6       similar to my Brazilian colleague and is well demonstrated  
7       in the record the future existence of Tata UK and the form  
8       of that existence is uncertain. This is not a company  
9       poised to miraculously make a big push in the United States  
10      market, a market it has barely existed in previously. The  
11      UK poses zero threat. Thank you very much.

12                       STATEMENT OF FREDERICK WAITE

13              MR. WAITE: Good afternoon Mr. Chairman. I'm Fred  
14      Waite on behalf of over here Mr. Chairman, Fred Waite on  
15      behalf of Stemcor USA, Inc. importer of subject merchandise.  
16      My colleague Kimberly Young and I are here to respond to any  
17      questions the Commission may have with regard to critical  
18      circumstances in connection with imports from Brazil, thank  
19      you very much.

20              MR. CAMERON: That concludes our testimony.

21              CHAIRMAN WILLIAMSON: Thank you. And I want to  
22      thank all of the witnesses. You have travelled a long way  
23      for being here this afternoon and this afternoon we will  
24      begin questioning with Commissioner Schmidtlein.

25              COMMISSIONER SCHMIDTLEIN: Alright thank you very

1 much. I would like to join the Chairman in thanking all of  
2 the witnesses who are here today including the ones who have  
3 traveled a great distance to be here. So I am going to  
4 start with some questions about Section 5 of the staff  
5 report and first I wanted to clarify whether or not you  
6 share the Petitioner's concern about the pricing data and  
7 the possible level of trade issue?

8 I sort of took from Mr. Dugan's presentation that  
9 the Respondents do not share that concern but I wondered if  
10 you can clarify.

11 MR. CAMERON: Commission I mean we will be glad  
12 to address this in the post-hearing brief but no we don't.  
13 The Commission has analyzed this in the same way in this  
14 case and in cold-rolled and corrosion and what we have here  
15 is a result oriented argument based upon well we have  
16 overselling and that can't be the case so let's look at it a  
17 different way -- so we will be glad to analyze it. I mean  
18 it is very difficult to do it because it involves some  
19 confidential information but we will give you a response in  
20 the post-hearing.

21 MR. CUNNINGHAM: Dick Cunningham for Tata. You  
22 know this is a kind of unusual issue to raise as to the  
23 pricing comparison in the ITC context. It is not unusual at  
24 all in the Commerce Department context where we deal with  
25 level of trade issues all the time and when you try to get

1 the Commerce Department to make a level of period adjustment  
2 there is a large amount of hoops that you have to jump  
3 through to demonstrate the reasons for and the scope of  
4 difference in patterns of pricing among levels of trade and,  
5 I don't see that here. I don't have the basis to say  
6 whether there are substantial differences here or not but I  
7 see no demonstration that has been made that seems  
8 sufficient for the Commission to think of what it usually  
9 does here.

10 MR. DOUGAN: Commissioner if I made add, Jim  
11 Dougan from ECS if I may add one thing. Even in comparison  
12 to -- I made that remark in my testimony about cold-rolled  
13 and CORE but even actually in contrast to this the record in  
14 this case staff and the questionnaires distinguished the  
15 pricing data by sales to distributors and sales to end users  
16 so I mean to some degree sales by channel or level of trade  
17 or even -- are more considered here than they may have been  
18 in the prior cases and again you didn't hear any objections  
19 until the questionnaire responses came back and it didn't  
20 show what they wanted.

21 COMMISSIONER SCHMIDTLEIN: Okay, okay so let's  
22 move on then to the lost sales and lost revenue data and in  
23 that section of the staff report that starts at V-42 on to  
24 43 it shows that there are -- and I understand that  
25 Respondents have raised some concerns with this data which I

1 believe the Petitioners responded to this morning in a  
2 confidential slide so I am not sure you know, not all of you  
3 have access to that.

4 Let's assume for a second that the information in  
5 the staff report is correct -- the 1.1 million tons that are  
6 confirmed in the staff report as having been shifted from  
7 U.S. producers to subject imports because of price right --  
8 not just shifted, but the answer and response to the  
9 questionnaire was we shifted this amount because of price --  
10 doesn't that support a finding of significant underselling  
11 in this case?

12 And if it doesn't how does the Commission -- what  
13 should the Commission do? Again let's put the data question  
14 aside in terms of whether or not that data is correct in  
15 that number -- but if it turns out that it is correct how  
16 does the Commission go negative given that 1.1 million out  
17 of the 1.8 million ton increase in imports has been  
18 confirmed by purchasers to have shifted from U.S. producers  
19 to subject imports because of price?

20 MR. CUNNINGHAM: Dick Cunningham -- I would like  
21 to make two comments on that. First of all the question is  
22 a little bit one-sided because it asks purchasers to say how  
23 much they shifted from the domestic industry to imports  
24 because of price and it doesn't ask how much they shifted  
25 imports to the domestic industry because of price.

1           And in a market -- let's take for a moment that  
2     the underselling by volume is what you would look at and  
3     there is that 48-52 that bespeaks a very competitive market.  
4     Nobody's really higher or lower much than the other side and  
5     one would expect that you would have shifts both ways and  
6     you have got only shifts one way.

7           The other thing I would say is that that big  
8     figure, the 1.1 million as you know, as you look at it the  
9     vast majority of it comes from one customer. We sell --  
10    Tata Netherlands sells to that customer. Tata Netherlands'  
11    sales to that customer have declined every year in the POI.  
12    That being the case -- and essentially the customer lists  
13    all of the sales made by Tata Netherlands as sales which  
14    they have shifted from a domestic producer to Tata  
15    Netherlands.

16           That can't be right if our sales are declining  
17    every year. We are obviously losing volume to that  
18    customer rather than gaining volume by having it shifted to  
19    us. And I am not at all criticizing the staff -- I have  
20    some concern and well I have some concern as to whether the  
21    Respondent company accurately responded to the questions.

22           COMMISSIONER SCHMIDTLEIN: Okay anybody else?

23           MR. DOUGAN: Commissioner Schmidtlein Jim Dougan  
24    from ECS. I think you know on the -- I'll accept your  
25    hypothetical for purposes of answering the question and our

1 response is that in the context of the market as a whole  
2 that does not constitute material injury. However, it is --  
3 the number can't be right, it can't be right. I think  
4 Petitioners in their confidential slide have  
5 mischaracterized what we were trying to observe about the  
6 data. We can get into it more in post-hearing here.

7 COMMISSIONER SCHMIDTLEIN: Okay.

8 MR. DOUGAN: But there is no way to arrive at the  
9 number that is reported in response to that question based  
10 on the questionnaire record. It is literally impossible  
11 even if you were to consider -- well I need to be very  
12 careful here. The number cannot possibly be correct so I  
13 would not accept it as a premise for a conclusion on the  
14 materiality.

15 COMMISSIONER SCHMITLEIN: Okay let's go back to  
16 -- Mr. Cameron.

17 MR. CAMERON: Sorry I just wanted to amplify I  
18 believe that we did clarify precisely what our differences  
19 were in the brief but it was an inconsistency with the  
20 questionnaire itself so we will be glad to respond to that  
21 in our post-hearing.

22 MR. CUNNINGHAM: If I may add one thing this is  
23 Dick Cunningham again. The question you just posed to us is  
24 whether that poses the basis for not only a finding of  
25 underselling but an affirmative determination.

1           The -- in the cases where you have reached  
2       decisions, inconsistently for the past year in steel cases  
3       there have been two prongs to your analysis. One is  
4       underselling led them to a substantial increase -- it let  
5       the subject imports to access a substantial increase in  
6       market share. And let's say that this provides evidence of  
7       that, I don't think it does but let's say that it does.

8           The other prong is that that substantial shift in  
9       market share was a material -- had a material effect on the  
10      industry. I think it is really important that you pay  
11      attention to materiality here and look at both your staff's  
12      variance analysis and at the income model analysis, the  
13      income statement model analysis we have done on this because  
14      in this big market, in this very large production in  
15      shipments by the U.S. industry yes you have a million, or a  
16      million eight whatever it is increase in subject imports and  
17      that sounds like a lot but when you do the numbers as we  
18      have done it comes up to very small change in the U.S.  
19      industry's operating results.

20           And the reason that's important -- the reason  
21      that is important is that what you are doing here in that  
22      analysis is a little different from the traditional trends  
23      analysis that the Commission has done in many cases which  
24      incidentally I suggest you should also do here.

25           Trends analysis basically says let's see if the



1 industry is injured okay -- now let's see if imports are a  
2 significant cause of that. The analysis you have done in  
3 these cases doesn't deal with materiality of the injured.  
4 It simply soothes and maybe the assumption is right but maybe  
5 it is wrong that that amount of imports -- that amount of  
6 volume shifted to imports would have a material effect.

7 I think you have to go the next step and let's  
8 calculate to see if the effect is in fact material.

9 COMMISSIONER SCHMIDTLEIN: Okay so if I  
10 understand you even if this is confirmed that they are --  
11 the data is correct that there has been 1.1 million tons of  
12 lost sales because of price that and I'm just picking a  
13 number out of the blue here an average of \$500.00 a ton  
14 that's 550 million dollars lost because of price to subject  
15 imports would not be material?

16 MR. CUNNINGHAM: Right and as a matter of fact  
17 the answer to your question is yes and I am not just saying  
18 that and maybe Mr. Malashevich would like to talk a bit  
19 about this. He did the income statement model but what the  
20 income statement model does is say something more extreme  
21 than you are saying about that 1.1 million on the basis of  
22 price. It says if you took all of the market share and  
23 volume increase for the subject imports and put that into  
24 the income statement of the domestic producer, keeping  
25 everything else the same it would not have a material

1 impact.

2 COMMISSIONER SCHMIDTLEIN: Okay.

3 MR. CUNNINGHAM: And the Commission has done this  
4 in past cases. We did this in some cement -- I'm planting  
5 myself as old here, cement is an old case but that's I think  
6 when we started doing that, we have done it periodically in  
7 the past.

8 COMMISSIONER SCHMIDTLEIN: Okay I will follow-up  
9 in my next round, thank you.

10 MR. DOUGAN: Commissioner can I add one last  
11 thing or are you out of time?

12 COMMISSIONER SCHMIDTLEIN: Well technically I am  
13 out of time so okay go ahead.

14 MR. DOUGAN: Okay I can go ahead -- well again  
15 your hypothetical of 550 million again in context the  
16 commercial sales, it is just the merchant market, not total  
17 sales.

18 COMMISSIONER SCHMIDTLEIN: Right.

19 MR. DOUGAN: The commercial market sales of the  
20 domestic industry were 15.8 billion in 2013 and 16.7 billion  
21 in 2014 and roughly 11 billion in 2015 so that 550 million  
22 shifted over those three years and you have got 40-45  
23 billion in sales 550 million compared to 50 billion I would  
24 argue is not material.

25 COMMISSIONER SCHMIDTLEIN: Okay thank you.

1                   CHAIRMAN WILLIAMSON: Thank you. The cumulation  
2                   some Respondents have argued that sales to affiliates are a  
3                   distinct channel of distribution. Is there support for this  
4                   in the statute or past Commission decisions? Don Cameron?

5                   MR. CAMERON: Yes there is, I think the -- first  
6                   of all let's not miss -- I think Petitioners  
7                   mischaracterized the argument. We didn't say that because  
8                   you are selling to an affiliated party that therefore the  
9                   law allows you to decumulate and that there's what they  
10                  would characterize as a free pass. We didn't say that but  
11                  1993 steel case involving Korea and hot-rolled -- Korea was  
12                  decumulated and Korea was decumulated largely because the  
13                  product which was the high PIW over 1,000 PIW size of the  
14                  coil and the technical specifications of that coil were not  
15                  supplied by others and therefore the Commission agreed that  
16                  imports from Korea were not competing.

17                  At the same time the Commission said that the  
18                  affiliation relationship, the captive relationship is not  
19                  per se a basis for decumulation -- that's fine but what we  
20                  are saying is we never said that it was per se, we are not  
21                  making that case. What we are saying is that it is an  
22                  economic fact -- there are economic reasons for this that go  
23                  beyond and the U.S. industry was talking about that in the  
24                  last two hearings about their reason for their supplying  
25                  from Canada --

1                   CHAIRMAN WILLIAMSON: Can I cut you off for a  
2 second? The example the way you described it would the  
3 Commission come to the same result if there was as an  
4 affiliation just because of the size of the coil?

5                   MR. CAMERON: Well the Commission came to that  
6 conclusion -- I think it was a combination and I think if  
7 you read that opinion it is clear that the affiliation was  
8 not an irrelevancy in the matter and so and this Commission  
9 has in other cases recognized that the affiliation and that  
10 channel of trade is an economic factor to be looked at, it  
11 does come into consideration with respect to prices and  
12 everything else -- Chris you had something?

13                  MR. DUNN: Yes, Chris Dunn for BlueScope. As far  
14 as I know and my knowledge is not comprehensive maybe but as  
15 far as I know the statute does not define the term channel  
16 of distribution -- the idea of channel of distribution that  
17 term has been used by the Commission in a number of cases  
18 when it looks at decumulation but as far as I know the  
19 Commission has never said -- and channel of distribution  
20 means acts.

21                  I know the characteristics that they generally  
22 look at -- my -- the reason that in the case of BlueScope's  
23 Steel's Scape we said we believe that Steel Scape is a  
24 separate channel of distribution and should be looked at as  
25 such and it is you know affiliation is a large part of it,

1       it is also the fact that it is constructed to receive  
2       imported steel from Ocean going vessels.

3               CHAIRMAN WILLIAMSON: But neither one of you tell  
4       me what's the affiliation add to the dynamic?

5               MR. CAMERON: Well the affiliation is -- sorry.

6               CHAIRMAN WILLIAMSON: Miss Mendoza is back she is  
7       smarter than I am, we know that.

8               MS. MENDOZA: Thank you very much for that.  
9       Julie Mendoza so I think the critical thing is that the  
10      Commission always looks in every case to see to what extent  
11      decisions about purchases are made on the basis of price  
12      right? Because the U.S. industry comes in here and says we  
13      lost sales, we lost market share because of price right, and  
14      so what we are saying is that when you have a relationship  
15      with your supplier there are lots of reasons why you are  
16      relying on that foreign supplier that you have related to  
17      have a relationship with that have nothing to do with price.

18              I mean Don was going to suggest what the U.S.  
19      industry said here the other day in CORE about their  
20      Canadian operations -- they said were optimizing our  
21      footprint okay. And so it is the same concept what we are  
22      saying is no, it's not all about price when you look at  
23      these relationships between the supplier and the related  
24      entity in the United States.

25              In fact some would argue that's a reason to set

1 up those relationships to try to optimize that. So I mean I  
2 think it is relevant because it is relevant in every case  
3 what's driving purchasing decisions and West Coast is just  
4 another example of that. In other words we are not choosing  
5 to import because we are getting a better price, we are  
6 choosing to import because everybody is located on the East  
7 Coast now has an interest in this market and even if they  
8 did we can't get the transportation costs to a reasonable  
9 level.

10 So I think it is relevant because of that.

11 MR. CAMERON: It's also relevant because of  
12 quality issues. One of the reasons if you have a joint  
13 venture or you have an affiliated party and you have an  
14 affiliated form of supply you are tailoring the raw material  
15 to the mill that you are supplying to, that was a big issue  
16 in the case of UPI. It has historically been an issue that  
17 has been recognized by the Commission that was the issue.

18 CHAIRMAN WILLIAMSON: So in other words there is  
19 something about that affiliation that you can rationally  
20 point to as saying makes a difference.

21 MR. DUNN: Let me tell you one thing other than  
22 -- that hasn't been said in the case of Steelscape as a  
23 separate channel. It is owned by two parties, those parties  
24 have similar to probably UPI have commitments to supply  
25 steel, they have first right-of-refusal and they have

1 commitments to supply steel to Steelscape. What that means  
2 is that from Steelscape's point of view they have a steady  
3 commitment of regular supply that makes it a different  
4 channel in my view.

5 MR. PAL: Can I from Japan's perspective -- this  
6 is Rajib Pal of Sidley Austin. You know under the  
7 Commission's test for decumulation no single factor is  
8 determinative. And I think you know what we have argued is  
9 that it is a confluence of the factors that leads to a  
10 conclusion that there is no reasonable overlap of  
11 competition between subject imports from Japan and U.S.  
12 products. The affiliation relationship is a key piece of  
13 that puzzle but in addition you know they are supplied to  
14 the West Coast, there are quality issues, there are issues  
15 about supply, the customer's long-term relationships so it  
16 is a confluence of all of those factors that should lead to  
17 the conclusion and no single factor is determinative.

18 CHAIRMAN WILLIAMSON: Okay thank you for those  
19 answers. I guess this is a continuation of this. Mr. Dunn  
20 for cumulation you cite to the 2002 cold-rolled  
21 investigation where the Commission did not cumulate  
22 Australia for present injury, it's present injury analysis  
23 -- however the Commission's decision there was based not  
24 only on geographic presence but also the fact that virtually  
25 all the subject imports from Australia were of a particular

1 product for hard steel. Is there something about the  
2 Australian imports in this situation that are limited?

3 MR. DUNN: No they are not. They are steel what  
4 BlueScope sells to Steelscape is not a unique specialized  
5 product.

6 CHAIRMAN WILLIAMSON: Okay thank you. Do you  
7 have any imports of the OCTG market for hot-rolled steel,  
8 why did subject imports increase when OCTG production  
9 plummeted? There was some discussion of that this morning.

10 MR. DOUGAN: This is Jim Dougan from ECS and  
11 others on the panel can certainly pitch in on this but first  
12 of all they were serving -- I think as Mr. Cunningham was  
13 discussing earlier it was the energy market that got served  
14 first by domestic producers so it was the customers in other  
15 applications who are at the back of the queue that were the  
16 first ones to seek import sources and increased volume from  
17 the imports in order to get the supply that they were sort  
18 of waiting for from the domestics.

19 So to some degree the decline in demand and the  
20 tubular segment had a much greater effect it absolutely did  
21 have a much greater effect on the domestics than it did on  
22 the import so that overall decline in market demand driven  
23 largely primarily by the tubular market would have had less  
24 of an effect on the import side than on the domestic side.

25 Secondly there is an element that we see from the



1 monthly volume data where there is sort of an element of a  
2 lag where you know the imports really peaked in January,  
3 2015 which you know based on when they were ordered sometime  
4 late in 2014 and then they kind of fell off a cliff after  
5 that.

6 Now if you are looking at 2015 as a full calendar  
7 year you see an increase largely because of that one month  
8 spike. So I think a combination of those factors would lead  
9 to the observation that you mentioned.

10 MR. PAL: Can I -- Rajib Pal from Sidley Austin  
11 -- there's confidential evidence on the record to add to  
12 what he just said is that there were also quality issues and  
13 customers that were looking to diversify supply to other  
14 sources. There's a series of confidential quotes for the  
15 record that I can't get into but those are ultimate reasons.

16 CHAIRMAN WILLIAMSON: In the non-OCTG market?

17 MR. PAL: No, no in the tubular goods market.

18 CHAIRMAN WILLIAMSON: Okay but I'm thinking if  
19 the thing is tanking why -- there's nothing you want to  
20 point to post-hearing that substantiates that -- given the  
21 market is going down to estimate those --

22 MR. PAL: Right but you asked even though the  
23 market was going down why the imports in that segment  
24 increased, that was your question?

25 CHAIRMAN WILLIAMSON: Right, given the dramatic

1 nature of that fall, okay.

2 MR. PAL: The reasons that there were certain  
3 imports that increased under those segments were reasons of  
4 quality and for --

5 CHAIRMAN WILLIAMSON: Okay so if you could relate  
6 those post-hearing that would be fine and thank you for  
7 those answers and Commissioner Johanson?

8 COMMISSIONER JOHANSON: Thank you Chairman  
9 Williamson. I would also like to begin by thanking all of  
10 you for appearing here today. I realize that a number of  
11 you came a long way and it looks like a lot of people came a  
12 long way so I know there's a lot of effort for you all to  
13 participate in this hearing and we appreciate you being  
14 here.

15 Okay if you look at page 2 of our ArcelorMittal  
16 USA's brief the Petitioners point out that the market share  
17 shift evidence on this record is almost a one for one  
18 correlation and do you all disagree with this and also if  
19 that is the case doesn't the market share shift and the  
20 increase in absolute volume of subject imports during the  
21 period of investigation demonstrate significant volume and  
22 significant increase in volume on this record?

23 MR. DOUGAN: Jim Dougan from ECS Commissioner  
24 first of all we dispute the notion of a one for one  
25 competition one for one you know, ton for ton displacement.

1 You would have to -- to accept that argument you would have  
2 to accept that despite all of these relationships of  
3 dedicated supplier quality issues or things of that nature  
4 that these customers who were you know either bound  
5 contractually or through relationship or whatever would have  
6 gotten that supply from domestic producers so I think on  
7 that basis we sort of reject that.

8 The other element of that that is you know  
9 peculiar is that Petitioner's theory of the case is that  
10 this is a fungible commodity sold on the basis of price  
11 throughout the nation so geographic attenuation doesn't  
12 matter, these relationships don't matter, all the business  
13 in the country all the time is up for grabs and it is all  
14 done on the basis of price.

15 What that doesn't really explain and the market  
16 share that they are observing is from 2013 to 2015 so over  
17 the period as a whole -- that doesn't really explain what  
18 happened in 2015. You know they talked a lot about how the  
19 import volumes continue to increase and continued to gain  
20 market share. But if they did so they did so by overselling  
21 and that seems to rebut their entire theory of how the  
22 market works.

23 MR. CUNNINGHAM: Could I -- this is Dick  
24 Cunningham, let me add one other thing here to this one for  
25 one and all of that. You have got one on the bar graph for

1 subject imports and one bar for domestic industry. The big  
2 part of this increase incurred in 2014 -- put aside 2015 for  
3 just a second -- there are all sorts of differences between 14  
4 and 15 both in terms of the amount of overselling and  
5 underselling, and other things but look at 2014.

6           You didn't just have an increase in subject  
7 imports. Subject imports were up 1,431,081 tons, 81.9%.  
8 Non-subject imports and I am putting aside Canada because  
9 they talk about Canada as part of their own sales.  
10 Non-subject imports increased 1,083,699 tons from a  
11 significantly lower base and were substantially greater as a  
12 percentage increase, 118.8%. That has a couple of  
13 significances it seems to me.

14           First of all it makes it hard to do that one for  
15 one between subject imports and the domestic industry. If  
16 the subject imports had not taken that market share I  
17 suspect the record shows that more of it would have gone to  
18 the non-subject, non-Canadian imports since they are  
19 obviously more competitive in the U.S. market than the  
20 domestic producers and were on the basis of pricing that is  
21 not alleged to be underselling, not alleged to be unfair and  
22 indeed they are not -- they are at higher prices as Mr.  
23 Hausman, Dr. Hausman said they are at higher prices than the  
24 subject imports. Yet they are increasing by a greater  
25 amount, excuse me a greater percentage and almost a greater

1 amount.

2           It also really, really, really calls into  
3 question the idea that what happened -- what caused the  
4 increase in subject imports was price. Because that doesn't  
5 explain what caused the increase in non-subject imports  
6 which was in the realistic sense larger. And something else  
7 in the marketplace was shifting volume away from the  
8 domestic industry. Not just the subject imports, but to  
9 non-subject imports and that is much more coherently  
10 explained by what we discussed today which is that the  
11 domestic industry turned away from the spot market to a very  
12 substantial extent and not because they were unable to meet  
13 the subject import pricing but because subject import pricing  
14 had not declined from 2013 when the U.S. industry was able  
15 to participate in the spot market.

16           So it is really hard for me to see that that one  
17 for one situation holds up and it is hard for me to see that  
18 import share achieved by underselling holds up because they  
19 don't explain the full shift away from the domestic industry  
20 of substantial volume in the marketplace.

21           MR. CAMERON: Commission can I add one thing?  
22 Don Cameron -- there's also this assumption with respect to  
23 this one to one replacement that I don't think is supported  
24 by the record that the domestic industry would supply all  
25 that West Coast supply. They would supply all of UPI, they

1 would supply all of Steelscape and what would be the basis  
2 for that?

3 I mean we have on the record U.S. Steel had a  
4 right to supply UPI. U.S. Steel gave up that right, they  
5 said go get other sources of supply for that. I mean that  
6 was a significant chunk of volume and that chunk of volume  
7 was not somehow taken from U.S. Steel that chunk of volume  
8 was voluntarily given up so that U.S. Steel could actually  
9 supply other people in the marketplace so I don't think that  
10 that -- that their analysis quite holds.

11 MR. ELLIS: I'm sorry this is Neil Ellis at  
12 Sidley Austin -- but to pile on I would just point out that  
13 for the Japanese companies this is certainly true. The idea  
14 of a one to one correlation, or as Mr. Dougan said the idea  
15 that this is a fungible commodity, is simply not an accurate  
16 representation of how this market works, and the Commission  
17 should not make a determination in this case on the basis of  
18 a fundamental misrepresentation of how the market works.

19 For the Japanese companies it is not a one to one  
20 correlation. It is not as if a ton of it is sold by Nippon  
21 Steel to Steelscape or by JFE to its long-term customers is  
22 somehow having anything to do with alternative sources of  
23 supply from the U.S. producers. Thank you.

24 COMMISSIONER JOHANSON: Alright thank you all for  
25 your explanations and Mr. Cameron I am going to follow-up

1     what you were saying about whether or not U.S. producers  
2     would actually supply to the West Coast. I am going to get  
3     back to this map which I am obviously -- found fascinating  
4     on page 34 of the staff report and from what I can tell all  
5     U.S. production is east of the Mississippi or maybe on the  
6     Mississippi on the western side of the Mississippi, it looks  
7     like maybe Iowa and that might be it actually.

8             MR. CAMERON: Iowa is closer than Mississippi.

9             COMMISSIONER JOHANSON: Well yeah you have the is  
10     that Davenport right there and Dubuque?

11            MR. CAMERON: It is Davenport.

12            COMMISSIONER JOHANSON: My great-grandmother is  
13     from Dubuque so --

14            MR. CAMERON: Julie will have to answer any Iowa  
15     question but continue.

16            COMMISSIONER JOHANSON: Anyway I will ask her  
17     later but looking at the map so you have all of this  
18     production east of the Mississippi and I spoke with the  
19     Petitioners this morning on this and I am wondering why is  
20     there not more in the view of Respondents, why is there not  
21     more production west, in the west?

22            MR. CAMERON: That's an excellent question then I  
23     think that actually the domestic industry answered a lot of  
24     that. I mean Roger Schagrin was helpfully pointing out this  
25     morning that while there used to be some production out there

1 but number one it was not efficient. I mean let's think  
2 about UPI and why they got a joint venture partner.

3 They got a joint venture partner because at the  
4 time 1986 the entire West Coast was dominated by imports and  
5 the idea behind the joint venture was that okay we will get  
6 some investment money from POSCO and the two of us will get  
7 together, we are going to have a finishing mill. We don't  
8 have a raw material but we are going to have a finishing  
9 mill and we will then be able to sell tin plate on the West  
10 Coast because there is no tin mill on the West Coast.

11 And we will also be able to compete with  
12 cold-rolled and corrosion and that was the genesis of the  
13 thing. As you have heard from Roger Schagrin this morning  
14 he talked about EVRAZ, what is EVRAZ's source? They import  
15 slab, they buy slab. CSI they import slab, they don't --  
16 slab is not made out there, they are importing the slab.

17 Steelscape is importing hot coil, POSCO is  
18 importing hot coil and why is that? Because they are  
19 located where they can actually import, right, so the U.S.  
20 mills out here in the Midwest why did they locate there?  
21 They located there on the fundamental industrial theory at  
22 the time of locating close to the raw materials, it's a  
23 rational thing. That was the basis upon which they did  
24 that. Now when you started locating in Davenport, Iowa why  
25 were you able to do that? Why were they able to expand?



1 That was the genius of the mini-mill because the mini-mills  
2 which ate the lunch of the integrated producers factor in  
3 the 2,000 safeguards if you recall. The mini mills they  
4 didn't need to have that access to the iron ore. They  
5 needed access to scrap and there's a lower barrier of entry  
6 and they could locate there but that's the strategy on these  
7 things.

8 And for the West Coast there is no steel-making  
9 capacity so what do you have there? What you have there is  
10 that everybody depends upon purchased substrate in the West  
11 Coast and you know that's where you have dedicated supply  
12 and when you have a situation as you did in 2014 where the  
13 market for OCTG was hot, when other things were hot, right, if  
14 you don't have a dedicated source of supply you are at the  
15 back end of the supply chain in terms of getting your needs.

16 And when you have a re-roller like UPI you need  
17 to have that raw material ready, that's another reason that  
18 that was acknowledged in the 1993 investigation on  
19 hot-rolled when they are looking at Korea. There are  
20 reasons that you need to have a dedicated supply if you have  
21 a re-roller and again it is not a coincidence that every one  
22 of these other companies whether it be CSI which is  
23 importing from its parents in Japan but they are importing  
24 it in a different state or UPI or Steelscape so that would  
25 be my short explanation.

1 MR. CUNNINGHAM: McCarthy's had decades of  
2 experience and they are still making.

3 COMMISSIONER JOHANSON: Just for maybe one or two  
4 minutes please my time is expired.

5 MR. MCCARTHY: Chris McCarthy from Tata Steel.  
6 I don't know how I am going to say this but I was in my  
7 career also Vice-President of Sales and Marketing  
8 planning for Severstal North America and also Director of  
9 Sales for Rouge Steel. I tried to supply Steelscape. I put  
10 trials out of Rouge Steel into Steelscape, they allowed me  
11 to put trials in, it was very difficult for me to afford the  
12 freight, rail impossible to do that.

13 COMMISSIONER JOHANSON: Where is Rouge Steel?

14 MR. MCCARTHY: Rouge Steel is in Dearborn, Michigan  
15 which is now AK Dearborn. And by the way when we got our  
16 steel out there it was not built to take our steel so it  
17 could not fit on the manifolds -- the inside diameter of our  
18 equipment didn't match their equipment. It was built to be  
19 supplied by overseas mills not to be supplied by my mill in  
20 Dearborn, Michigan.

21 COMMISSIONER JOHANSON: Alright thank you for  
22 your responses my time has expired.

23 CHAIRMAN WILLIAMSON: Thank you, Commissioner  
24 Broadbent?

25 COMMISSIONER BROADBENT: Okay thank you Mr.

1 Chairman. Mr. Dougan if we accept that there is limited  
2 competition in the West Coast and that subject imports from  
3 this market for non-price reasons -- to what extent did  
4 subject imports increase in the more competitive channels in  
5 the Midwest and the East?

6 MR. DOUGAN: I can give numbers in post-hearing  
7 but I think the reasons for that I mean -- are kind of what  
8 we described before which is particularly in 2014 demand was  
9 very strong in the key end user markets for OCTG and tubular  
10 for most of the year and in automotive.

11 And these are important customers for the  
12 domestic industry. They are contract customers they have  
13 priority but at least in one instance I can't remember was  
14 it AK or someone said that they literally walked away from  
15 the spot market. Well if demand is going up and you are at  
16 sort of the back end of the list to get your supply from  
17 domestic producers or you can't get it at all because you  
18 are not a contract customer you have to get it from  
19 somewhere and that's where they went to imports for it.

20 So even if you are not on the West Coast which is  
21 its own unique thing as you suggest, even if you are a  
22 Midwest customer but you are not a contract customer you are  
23 at the back of the list you know you still need to run your  
24 plant with the raw material and if you can't get it you are  
25 going to look elsewhere.

1                   MR. CAMERON: And Commissioner just to add one  
2     thing to that if you just look at the number, look at and we  
3     will put this into the post-hearing bring in the analysis of  
4     your question -- but think about it in terms of the  
5     percentage of domestic production that is non-West Coast  
6     which is the market that you are referring to and then look  
7     at the imports that are non-West Coast which are 53% right  
8     so basically you are paying 53% of that and in our initial  
9     presentation what we were saying is just take the market as  
10    a whole, the volume of imports and this is what Mr.  
11    Cunningham was talking about -- taking the volume of imports  
12    into a 60 million ton market the volume of imports is not  
13    material.

14                   Now we are talking about taking that and slicing  
15    that number in half. That's the reason that the West Coast  
16    is important for them. They need that volume. It is not  
17    that -- I mean imports into Steelscape and UPI are having  
18    zero impact on U.S. Steel or Arcelor or Nucor or any of those  
19    guys but they need the volume in order to make their case  
20    look better and that's why the numbers are important to look  
21    at.

22                   COMMISSIONER BROADBENT: Okay let's see okay for  
23    Mr. Dalbeler representing Turkey and this was like a  
24    disembodied voice, I don't even know where you are sitting  
25    -- there you are -- okay I listened to you I just could not

1 forget where you were speaking from usually we have little  
2 diagrams but I couldn't find mine. You mentioned in your  
3 testimony that you don't see U.S. steel in world markets.  
4 Can you talk a little bit more about that? Is there a  
5 fungibility issue? Why is Turkish steel global but U.S.  
6 steel does not seem to be global?

7 MR. DALBELER: I guess we have to ask that  
8 question for the U.S. producers but I have been exporting  
9 steel for the last 30 years from China all the way to the  
10 U.S. to South America and never came across -- I guess the  
11 only country that U.S. exports to is Canada and the answer  
12 must be in their competitiveness or efficiency.

13 Because they are comfortable I guess with their  
14 home market to me U.S. is the most protected market today as  
15 far as steel business is concerned so that is why the result  
16 we see the U.S. domestic prices is about 200 dollars about  
17 the world average.

18 MR. NOLAN: This is Matt Nolan just to embellish  
19 a little bit since I have been an observer of the Turkish  
20 steel industry for the past 10 years or so. And we touched  
21 upon this a little bit earlier with some of the comments  
22 that were made.

23 You are looking at sort of a fundamental shift in  
24 the way efficient steel production is made. Turkish steel  
25 mills are all located right on the water. They are all,

1 most of them Colakoglu is electric hard furnace mill  
2 contrary to what the Petitioners said this morning a  
3 significant exporter of product into the United States is an  
4 electric hard furnace producer but their mill is right on  
5 the water.

6 And so they bring scrap in off the water, they  
7 take it right to the mill, they make the steel and they put  
8 it right back on the boat to go back out again. That is by  
9 far the most efficient way to make and ship steel. UPI,  
10 Steelscape you look where these other mills, these folks  
11 that are downstream where they are close to the water  
12 because that is the most efficient thing to do now. You  
13 don't need to be close to raw materials you need to be close  
14 to a port, that makes you very competitive in the market.  
15 And it is not a question of whether you are unfairly pricing  
16 -- you are fairly pricing the product because you are just  
17 really good at it and you can ship to a lot more countries  
18 because of where you are.

19 Turkey is right in the epicenter of like 100  
20 different countries who are consuming its steel products  
21 which is significant. And the other thing that I think is  
22 very significant is Turkey is not only a big producer it is  
23 one of the largest importers of steel in the world so it is  
24 a big market both ways for them. They are able to compete  
25 globally, both on stuff coming in and on things going back

1 out.

2 CHAIRMAN BROADBENT: Okay and let's see who is  
3 representing the Netherlands? Mr. Cameron okay, you note in  
4 your pre-hearing brief that you have been in the U.S. market  
5 for over 60 years but you also previously were subject to an  
6 Order on this product. How should the Commission consider  
7 Petitioner's arguments that you had a second chance and yet  
8 returned to the U.S. market with significant and increasing  
9 volumes?

10 MR. CUNNINGHAM: Run that by me again I'm not  
11 quite sure I got that.

12 COMMISSIONER BROADBENT: Yes I will be more clear  
13 -- we know you have been here in the market -- Netherlands  
14 has been here in the market for 60 years and you had an  
15 Order on this product several years ago I'm not sure when --  
16 but how do we I am sure at that point you came in and said  
17 you wouldn't return to the U.S. market and you know you  
18 would keep your volumes down, et cetera, et cetera, how do  
19 you respond to the fact that you were given a second chance  
20 and you came back in with significant volumes and increasing  
21 volumes?

22 MR. CUNNINGHAM: Well Tata Netherlands has  
23 historically, and I will ask Mr. McCarthy to elaborate on  
24 this, Tata Netherlands imports have always been a function  
25 of the demand of the customers they serve. Tata Netherlands

1 has not expanded its customer base substantially for  
2 decades. And so when the demand goes up from the customers  
3 that they serve then you know our supply to them goes up.

4 And that was particularly true in 2014 for the  
5 reasons that Mr. Aubuchon testified to and that the AK  
6 gentleman admitted to, which was the U.S. industry was  
7 forsaking the spot market and so the customers needed more  
8 of us but maybe Chris could elaborate on this a little bit.

9 MR. MCCARTHY: Well I'm sitting next to one of  
10 our good customers who we have been supplying for over 60  
11 years through Orders, non-orders. Generally what we are  
12 producing is product that the domestic mills can't make or  
13 can't consistently make well through currency -- we are a  
14 long-term supplier in America's generally specialty-type  
15 products that the domestic mills can't make.

16 MR. KAUFMAN: Commissioner Broadbent this is Joel  
17 Kaufman. I am also representing Tata Netherlands. Can I just  
18 correct something with respect to your question -- Tata  
19 Netherlands never came into the Commission and promised not  
20 to import, and that was not the reason why that Order was  
21 revoked. That order was revoked in response to a WTO  
22 determination that it was issued improperly  
23 because of zeroing so ultimately that Order was revoked. It  
24 had nothing to do with Tata coming in here and making  
25 promises to the Commission or otherwise that we would cease



1 our imports.

2 And I would also point out that the import levels  
3 that we are at currently are at or  
4 below the import levels that we were at prior to the  
5 imposition of that Order.

6 COMMISSIONER BROADBENT: Good thank you for your  
7 point I appreciate that.

8 MR. AUBUCHON: I want to say one thing about this  
9 too. This is Gordon Aubuchon with Steel Warehouse. Let me  
10 say that our import levels from Tata have never effectively  
11 changed for the many decades we have been doing business  
12 with them. It represents a percentage that parallels the  
13 demand of the specific specialty steel users that those  
14 products serve.

15 COMMISSIONER BROADBENT: Okay let's see this is a  
16 general question for Respondents. Several Respondent briefs  
17 cited the variants analysis to support the conclusion that  
18 declines in prices were the primary reason for the U.S.  
19 industry's poor financial performance between 2014 and 2015  
20 as opposed to declines in sales volume.

21 Since the revenue section of the variants  
22 analysis and I am looking at Table VI-2 it shows that the  
23 overall declining commercial sales was due to an almost  
24 equal combination of lower prices and lower sales volume.  
25 How is it reasonable to conclude that the decline in sales

1 volume was not an important factor?

2 MR. DOUGAN: This is Jim Dougan Commissioner  
3 Broadbent. I mean our -- we are relying on the staff's  
4 variance analysis. I mean it has -- I can't recall exactly  
5 the mechanics of the calculation. If you sat me down with a  
6 spreadsheet I could but I mean the nature of the analysis  
7 holds somethings fixed and lets others vary and it says  
8 basically it attributes the change in operating income to  
9 the various factors and it concludes. I mean the result of  
10 that analysis, the math of it is that the price change in  
11 price, not the change in volume that caused that.

12 So I mean that would be my answer.

13 COMMISSIONER BROADBENT: Sorry Commissioner Keefe  
14 I have gone over my time.

15 MR. MALASHEVICH: Commissioners I would like to  
16 add to that please. Bruce Malashevich with ECS -- I just  
17 want to point out that variants analysis in the income  
18 statement model come out of the same source many years ago  
19 and the income statement model was really an off-shoot of  
20 variants analysis. As Mr. Dougan said, variants analysis  
21 apportions change in the industry's income as between volume  
22 price and costs.

23 What the income statement model does is sort of a  
24 targeted analysis focused on the impact of changes in volume  
25 alone. And when viewed together the variants analysis

1 prepared by staff and the income statement model show the  
2 same thing. It goes to the issue of materiality.

3 My own view is looking at either one points to a  
4 non-material impact on the industry. The volume and through  
5 volume on the industry's overall income -- I don't view a  
6 slight change in the industry's reported results from a big  
7 negative number to a smaller big negative number as being a  
8 material change in its condition.

9 CHAIRMAN WILLIAMSON: Thank you, Commissioner  
10 Kiefe?

11 COMMISSIONER KIEFE: Thank you very much. I am  
12 trying to return if we could to the discussion that  
13 Commissioner Schmidtlein was having with Mr. Cunningham and  
14 Mr. Dougan about what I think could be summarized as  
15 magnitude. If I get the gist of the discussion it was that  
16 you're taking the position that yes sure the amount here may  
17 be more than negligible they just are not material.

18 And I guess to help me understand that more can  
19 one or a couple of you take a minute or two to give us all a  
20 better understanding of what you think are the big picture  
21 numbers here? I can't bench press a ton of steel let alone  
22 a million tons and I can't earn a million bucks let alone  
23 500 million bucks -- that all seems like a lot to me.

24 So I am trying to understand why it is just not  
25 material -- I get that its small compared to bigger numbers

1 but I am trying to understand how it is not material it is  
2 still half a billion dollars.

3 MR. CUNNINGHAM: Let me take a quick start of  
4 that and let me ask you to do what another Commissioner once  
5 asked me to do at a recent hearing which is a thought  
6 experiment.

7 COMMISSIONER KIEFE: Okay.

8 MR. CUNNINGHAM: Think about 2014 and look at the  
9 million one or whatever it was a million three I don't know  
10 increase in subject imports. And then look at the change in  
11 price which was 6.something percent for the domestic  
12 producers. Change in price applies to a massive volume of  
13 sales, 30 plus million in the merchant market but 60 plus  
14 million because it affects also the internal consumption  
15 market too. Do the numbers in your head and you will see  
16 that what seems like modest change in price has a massively  
17 greater effect on the company's operating revenues than what  
18 seems like in absolute terms a large increase in volume.

19 MR. DOUGAN: Commissioner if I can add to that --  
20 and I think as helpful context as what you are looking for  
21 as I understand your question -- one of the things that  
22 Petitioners have done slide 26 I believe of the Kelley Drye  
23 presentation of this morning adds up to numbers 948 million  
24 and 927 million. This is a reproduction of a chart on page  
25 37 of their brief.

1           The math is wrong. It actually double counts.  
2       So what you are seeing is even if you accept all of the  
3       assumptions the change in volume from 2013 to 2014 added to  
4       the change in volume from 2013 to 2015 so this is at least  
5       double counted. So first of all these numbers are wrong.

6           Second of all even to accept that this number  
7       itself is correct you have to buy into the idea of fungible  
8       product sold on the basis of price everywhere, every ton  
9       throughout the nation is up for grabs and I think you know  
10      we have heard from through these affiliated relationships  
11      from the West Coast that's simply not true.

12           So that number is even though this -- relative to  
13      sales in the merchant market of you know 10 or 20 billion  
14      dollars is small, smaller still relative to sales in the  
15      overall market I mean path basically. Well it is even less  
16      than that right? Because legitimately these other sales  
17      that are assumed to be up for grabs are not.

18           COMMISSIONER KIEFE: I mean I think I am  
19      following you I just am trying to be realistic about the  
20      legal rubrics which the outcome you are seeking can be  
21      reached. So some of them seem a little -- I mean each one  
22      carries with it a different kind of aura and expectation of  
23      success so for example each of these different countries has  
24      a different channel of distribution, there's something  
25      special about its steel or the relationship between the

1 producer and the consumer.

2 Okay that's one rubric, that's one type of  
3 argument. But even that faces an uphill battle when the  
4 Petitioner gets to pick the set of countries in effect. The  
5 set is big enough and the set is having as a set a big  
6 enough overall effect, the statute seems pretty capacious in  
7 which case there may be differences but they may not matter.

8 So I am trying to understand is this a -- these  
9 are each different channels of distribution argument or are  
10 you really going at the core of the case and saying even if  
11 this can be considered as really one big bucket of steel and  
12 even recognizing that all decisions in markets for at least  
13 semi-fungible goods are made on the margin, half a billion  
14 bucks ain't changing things.

15 And I take it their response is yeah, but I mean  
16 they would rather have that half a billion than not.

17 MR. ELLIS: This is Neil Ellis. A couple things  
18 about that -- first Mr. Dougan is modest and he hasn't  
19 referred to it but his chart on page 15 I think answers your  
20 question. You acknowledged already that it is small the  
21 impact so the question is does small equal material? Maybe  
22 yes maybe no. Small is a layperson's term, and  
23 immaterial is a legal term.

24 But nevertheless in this case small is immaterial  
25 for the volume effect which is what we are talking about at

1 the moment. So the answer is yes, it would be very hard to  
2 say, I would think as a lawyer, that you are looking at a  
3 material variance when you point to the volume variance  
4 number. But that does assume your point that we are talking  
5 about one big bucket of steel.

6 In fact the variance has to be small or the  
7 impact has to be smaller for the reasons that we have been  
8 discussing that the market isn't fungible and isn't  
9 perfectly smooth across the country.

10 MR. CAMERON: Commissioner if I could just add  
11 one other thing to reiterate but I do think it's important  
12 this assumption of all of those sales would have been ours.

13 COMMISSIONER KIEFE: Okay.

14 MR. CAMERON: And I think that the example of  
15 U.S. Steel and UPI prove that that is absolutely not  
16 correct. If you have a company that is saying I could have  
17 had every missing volume -- every import volume is actually  
18 my sale but they took it from me. You can't really square  
19 that with U.S. Steel saying I have a right to 50% of the  
20 supply of that mill because I am 50% owner. I have a right,  
21 I have a price right and if I say you take a bath, take it  
22 and you say I'm not going to do that, I'm going to let that  
23 mill go out in the market and supply it elsewhere and then  
24 POSCO picks it up.

25 I just don't think that you can square those

1 facts with the assumption that underlies the theory. That's  
2 a lot of tonnage as we mentioned in our brief.

3 MR. CUNNINGHAM: Could I just weigh on that? I  
4 agree with everything Mr. Cameron says and I think in terms  
5 of the accessibility of the West Coast market and UPI and  
6 Steelscape and everything for the U.S. industry that  
7 the Respondents have the better arguments than the  
8 Petitioners on that.

9 But see I don't think you need to get there. I  
10 think if you look at the whole picture of the subject  
11 imports increase and you think about what we have heard  
12 today, what we have heard from AK, what we have heard from  
13 Steel Warehouse, which is that the domestic industry got into  
14 a situation -- because of the rapid increase in the demand in the  
15 market in 2014 the domestic industry got into a situation where  
16 the spot market had to be if not abandoned at least significantly  
17 abandoned by at least one person -- one producer totally abandoned.

18 You look at that and you say wait a minute --  
19 that -- once you fix on that you are not looking at a  
20 million eight going to the subject imports because of price.  
21 You are not looking at a million eight lost to the U.S.  
22 industry because the U.S. industry wasn't going after it  
23 because they were occupied with other stuff.

24 COMMISSIONER KIEFF: Thank you very much.

25 CHAIRMAN WILLIAMSON: Thank you, Commissioner



1 Schmidtlein?

2 COMMISSIONER SCHMIDTLEIN: Thank you. Could I  
3 just follow-up I think it was you Mr. Cunningham perhaps  
4 that just mentioned sorry if I -- I have got my coffee now  
5 but --

6 MR. CUNNINGHAM: Do I get coffee in defense?

7 COMMISSIONER SCHMIDTLEIN: I feel like we have to  
8 level the playing field here don't we. You just mentioned  
9 that something about these are not fungible that these  
10 products are not fungible I think it was you.

11 MR. CUNNINGHAM: That wasn't me, I said even if  
12 you assume they are all fungible and you look at it on the  
13 basis of the spot market being in large part and by some at  
14 least one company totally abandoned by the U.S. industry  
15 then you say to yourself wait a minute we are not dealing  
16 with the U.S. industry having lost a million, a million  
17 three, a million eight, we are dealing with a situation  
18 where imports came in to fill a need that the U.S. industry  
19 wasn't supplying and it doesn't have anything to do with  
20 specialty products, it doesn't have anything to do with  
21 regionally, it doesn't have anything to do with  
22 relationships between foreign suppliers and domestic  
23 consumers.

24 COMMISSIONER SCHMIDTLEIN: Alright well is it the  
25 Respondent's position that these are not fungible?

1 MR. CUNNINGHAM: That the products are not  
2 fungible?

3 COMMISSIONER SCHMIDTLEIN: Yeah?

4 MR. CUNNINGHAM: A lot of them are not fungible.

5 COMMISSIONER SCHMIDTLEIN: I know there are  
6 specialty products but the staff report says that the staff  
7 finds there is a high degree -- there's a high degree of  
8 substitutability I guess with the exception of a few U.S.  
9 producers or foreign that product specialized products but I  
10 assume that's a small number. So is it -- with regard to  
11 that conclusion you disagree?

12 MR. CAMERON: Yes Commissioner we do not agree  
13 that hot-rolled is a fungible product and while we  
14 understand that the Commission staff has gone out of its way  
15 to collect additional information for instance on those  
16 specialty products that are listed and there are products  
17 that the U.S. industry does not produce or produces to  
18 varying degrees.

19 For instance the X70 over 0.625 but it goes  
20 beyond that. Again in the case of UPI for an example, UPI  
21 is buying PIW coils and this goes to the point that was made  
22 by Mr. McCarthy. The configuration of a coil for a  
23 re-rolling mill is an important thing and the size of the  
24 coil --

25 COMMISSIONER SCHMIDTLEIN: How many tons are we

1 talking about with regard to that?

2 MR. CAMERON: Well in the case of you have from  
3 POSCO to UPI is that every ton.

4 COMMISSIONER SCHMIDTLEIN: And the U.S. can't  
5 produce that?

6 MR. CAMERON: The U.S. the average PIW that U.S.  
7 Steel supplies to UPI is either in the questionnaire or in  
8 our brief but I think it's a non-public thing. But you will  
9 notice and we will put it in our post-hearing brief as well  
10 it is significantly smaller. That isn't to say that a U.S.  
11 producer and I know I am going to hear this from back there  
12 so let me just be clear -- I am not saying that no U.S.  
13 producer produces a thousand PIW, that's not true. What we  
14 are suggesting is that first of all the U.S. producers are  
15 reserving their high thousand PIW mostly for their own  
16 re-rolling mills for captive consumption because that is the  
17 most efficient way to produce and that's the way they do it.

18 And historically when U.S. Steel was supplying UPI  
19 they were not giving  
20 them necessarily all of the best coils from Gary, Indiana  
21 for instance. So that goes to the fungibility.

22 COMMISSIONER SCHMIDTLEIN: It does?

23 MR. CAMERON: Sure because fungibility is an  
24 assumption that that coil and that coil are exactly the same  
25 and it doesn't matter I will buy either one. And I think

1       when you at least in terms of re-roller that certainly isn't  
2       true. I mean Mr. Cross what do you have to say about that,  
3       do you think every coil is fungible?

4               MR. CROSS: Yes. John Cross with Steelscape.  
5       There's an extensive process we go through in looking at  
6       chemistries and a variety of different things with the coils  
7       so for us to describe the market and pick and choose and buy  
8       material however we need to is problematic. So for us  
9       having that captive supply chain takes a lot of work to get  
10      it in place and it is essential for our mills, cold mills  
11      run differently, the cold lines everything if you don't go  
12      through that process you can have massive problems and that  
13      is exactly why you take those steps to do what you can do so  
14      one coil is not the same as another coil.

15             MR. CAMERON: If it will be useful we will submit  
16      for the record the specification of UPI and you will find  
17      that it is not --

18             COMMISSIONER SCHMIDTLEIN: Well that's just one  
19      company like right now you are saying overall like  
20      hot-rolled steel is not a fungible product --

21             MR. CAMERON: Well in the case of UPI you take  
22      the total quantity of hot-rolled coil that POSCO has  
23      supplied to UPI and that is a huge chunk of change in terms  
24      of the imports of hot-rolled coil.

25             COMMISSIONER SCHMIDTLEIN: Would you say it's

1 material?

2 MR. CAMERON: In the context of the import market  
3 yeah.

4 MR. ELLIS: This is Neil Ellis.

5 MR. PLANERT: Will Planert I just want to add one  
6 thing and I think this gets to your point. A lot of these  
7 discussions about fungibility I think pass each other  
8 because you know you sort of phrased the question as well,  
9 they are generally substitutable and up to a point that's  
10 true but I think the point that we are making is  
11 substitution isn't always cost free.

12 Mr. Richardson talked about the fact that yeah he  
13 can substitute domestic product in his mills for what he is  
14 getting from Brazil -- yes in that sense they are  
15 substitutable but it is not cost free to him. As he also  
16 testified a lot of those producer's products don't run as  
17 well on his equipment, he has higher costs, he has higher  
18 yields or lower yields, higher scrap crumbs so when we are  
19 sort of looking at the big picture say look hot-rolled isn't  
20 fungible we are not necessarily saying that in the broad  
21 sense it is not substitutable we are saying is when you  
22 start talking about volume losses there is built into it  
23 this assumption that every lost sale could have been filled  
24 and would have been filled, that every sale that went to  
25 imports would have been filled from a domestic mill and I

1 think what we are suggesting with all of these examples is  
2 it is not that simple, it is not fungible in that sense. I  
3 think that's the point.

4 COMMISSIONER SCHMITLEIN: Okay I take your point  
5 and I guess that's why I come back to my first question  
6 where if that information that is in the staff report is  
7 confirmed with regard to the 1.1 million tons that was  
8 indicated by the purchaser to have been shifted because of  
9 price not because it wasn't you know, there was some quality  
10 issue or some chemistry issue or something else, but  
11 explicitly because of price, isn't that significant.

12 And overall there was only a 1.8 million ton  
13 increase in subject imports so of that 1.1 it seems to have  
14 been confirmed was lost due to price.

15 MR. ELLIS: This is Neil Ellis.

16 COMMISSIONER SCHMIDTLEIN: I just didn't -- but  
17 yes Mr. Ellis.

18 MR. ELLIS: Okay a couple of things about that --  
19 first as Jim Dougan said earlier in the context of this case  
20 one million sounds like a scary number, it is actually not.  
21 It is not significant even if they were all true.

22 The second point is that a lot of those -- the  
23 evidence in the staff report on that issue is ambiguous or  
24 unclear. It is not clear to people answering the question in  
25 a consistent way, so, or even the written summary is

1       contradicting itself. It is not clear that all of that  
2       would in fact, all of that tonnage was in fact lost purely  
3       on the price basis.

4               The third point is I agree with what Will Planert  
5       just said, which is that we are using fungibility to mean at  
6       least two different things. One is theoretically fungible.  
7       The U.S. industry and the Japanese industry in our case made  
8       product X and the answer may be yes, although we do have one  
9       example at least where the answer is no.

10              But in addition we heard the testimony this  
11       morning from Quality Tubing this afternoon whether or not it  
12       is fungible to him or to you or to me doesn't matter, he  
13       can't use the U.S. source for quality reasons and for  
14       unpredictability of supply reasons. And it is as important as  
15       a pure chemical theoretical fungibility. Thank you.

16              COMMISSIONER SCHMIDTLEIN: Okay.

17              MR. CUNNINGHAM: Could I just add one thing on  
18       this. I am listening to this and I am really disturbed  
19       about the fact that the Commission might in significant part  
20       predicate a decision on some data that I think you really  
21       have to have a lot of qualms about and that one customer's  
22       -- I think you ought to talk to your staff about that  
23       customer's questionnaire responses and the problems that may  
24       or may not have been had with that questionnaire response.

25              Certainly they couldn't have been shifting our

1 stuff because ours were going down and all of that sort of  
2 stuff. The other thing I would say just very quickly is  
3 really focus on the spot market stuff. In 2014 you had an  
4 over-30-million-ton domestic commercial market in the United  
5 States.

6 Assume the spot market was about 20% of that, not  
7 quite pulling a figure out of the air but it is not a  
8 precise figure so we will try to get you more on that -- if  
9 we had one U.S. producer say we just walked away from  
10 the spot market. Other producers -- I'm sure that producer  
11 can't be operating totally differently than other U.S.  
12 producers.

13 COMMISSIONER SCHMIDTLEIN: Is that a matter of  
14 public record this producer? Maybe I missed that this  
15 morning, the U.S. producer?

16 MR. CUNNINGHAM: Yeah, the U.S. producer said we  
17 exited the spot market full stop, AK Steel, Mr. Newport.  
18 And he said he did it because of price because I told you he  
19 couldn't have done it because of price because the price of  
20 the domestic price of subject imports went down one dollar,  
21 one dollar in --

22 COMMISSIONER SCHMIDTLEIN: Right, and he did it  
23 because he couldn't supply.

24 MR. CUNNINGHAM: They had a big increase in  
25 demand. They were serving the contract customers, they were



1 -- in the oil sector you have projects and when they have a  
2 project they have to get that stuff and you have to commit  
3 to it for the project and all of that sort of stuff and the  
4 spot market was getting short changed.

5 If you take that 20% of 60 million -- of 30  
6 million and there is a 6 million dollar spot market and if  
7 any significant portion of that is abandoned by the U.S.  
8 industry that's more than the increase in imports we had.

9 COMMISSIONER SCHMIDTLEIN: Okay. I see my time is  
10 up. So I would just invite you in the post hearing, both  
11 sides, to address this issue of fungibility. I think that  
12 might be a little bit easier to understand, rather than late  
13 here in the day. Thank you.

14 CHAIRMAN WILLIAMSON: Okay. Thank you. I  
15 assume that the positions will clarify what AK Steel meant  
16 by that, post hearing, something, so I won't go over it.  
17 Well, in case they saw it clearly in a different way.  
18 Different question. We talked a lot about the West Coast.  
19 And I know you've argued that subject imports from  
20 Australia, Korea and Japan are mainly confined to the West  
21 Coast, and that's correct. Can you argue -- then explain  
22 the data on Table 2-4 of the prehearing report? It's Page  
23 2-19, which shows imports from those countries serving many  
24 other geographic regions.

25 MR. CAMERON: Commissioner, I don't believe that

1 was what we said.

2 CHAIRMAN WILLIAMSON: Okay.

3 MR. CAMERON: We didn't say that Korea, Japan  
4 and Australia --

5 CHAIRMAN WILLIAMSON: How did you see it more  
6 clearly, OK?

7 MR. CAMERON: It's fine. It's confusing and I'm  
8 getting old anyway. No, what we were saying was not that --  
9 and this was kind of, I think, part of the reason you're  
10 misled here, is that the domestic industry, it's oh well, I  
11 mean, look at all the stuff that they're selling to the West  
12 Coast through Tampa and through Houston.

13 Well, we didn't say that. What we said was that  
14 98% of the imports into the West Coast are from Australia,  
15 Japan and Korea, and that the significant majority in that  
16 number is in our brief. The significant majority of that  
17 volume is going to Steelscape and going to UPI, i.e., it's  
18 not competing in the merchant market for hot-rolled coil.

19 And the third thing we said was that imports of  
20 hot-rolled coil into the West Coast represent 47% of total  
21 imports. Those were the three things that we said. Now,  
22 yes. There are imports that go into the rest of the  
23 country. There's nobody here that has been denying that,  
24 although Australia has a little bit different angle on this  
25 that they may want to talk about.

1                   But otherwise, we are not saying that there  
2                   aren't other imports, but we are saying is that is a  
3                   significant amount of these imports, and those imports on  
4                   the West Coast are by and large going to these dedicated  
5                   supply and that's a significant fact when you're analyzing  
6                   the volume of imports, which has basically been treated by  
7                   the domestic industry as every time is equal to every time  
8                   is equal to every time. And we've suggested that that is  
9                   not correct.

10                  CHAIRMAN WILLIAMSON: Good.

11                  MR. DUNN: Commissioner Williamson, with respect  
12                  to Australia, we have shown 90% over the period of imports  
13                  went to the West Coast. Now, is some of that -- does some  
14                  of that go outside the West Coast? Yes. But it's a  
15                  surprisingly small amount of it. Most of their imports go  
16                  either to Steelscape or in this, during the period of  
17                  investigation, a lot of them went to UPI, also on the West  
18                  Coast.

19                  Now, did they have some shipments to other  
20                  ports? Yes. But of the stuff that went into the West Coast  
21                  ports, how much of it stayed in the West Coast? It's a very  
22                  high proportion of it and it's less than ninety, but it's --  
23                  I have access to the data as to where BlueScope America's,  
24                  which is the sole importer of all of the Australian steel.

25                  Where do they think that steel was going? So I

1 can give that to the Commission in a post hearing submission  
2 if you would like. But it's still pretty high. Now they  
3 can't be sure on all of this stuff. I mean if you sell to  
4 --

5 CHAIRMAN WILLIAMSON: No, I understand that.  
6 But I guess the -- I'm sorry I cut you off --

7 MR. DUNN: No, no, please.

8 CHAIRMAN WILLIAMSON: -- but I get the point,  
9 but I guess the question -- a significant share of the  
10 imports from Asia went to other, mostly I guess, other  
11 ports, but did go to other parts of the United States --

12 MR. PAL: Hi, this is Raj Pal. So we've  
13 actually, we've addressed this actually at Page 21 of our  
14 brief. And with our brief, we've submitted -- we've broken  
15 down the Japanese exports from each of the mills. And the  
16 thing about Table 2-4 that's misleading is that it is --  
17 what's it doing is, it's counting the number of customers  
18 that responded that they bought different regions of the  
19 United States.

20 But what we've established in our brief, the  
21 data, is that the vast majority of the volume, the numbers  
22 are BPI, but close to 100% of the volume of Japanese imports  
23 are entering and remaining in either the West Coast or the  
24 Gulf Coast. West Coast is the vast majority of that. And  
25 the Gulf Coast takes up the rest of that. So the reason the

1 table is misleading is because it's counting the number of  
2 responses and not actually counting for the volume of  
3 product that enters and remains in one region or another.

4 CHAIRMAN WILLIAMSON: Okay. And you're saying  
5 -- in your brief you've addressed, you show those numbers to  
6 show where the volume is?

7 MR. PAL: Yes, it's -- well, Page 21 of our  
8 brief summarizes the point.

9 CHAIRMAN WILLIAMSON: Anyone else want to speak  
10 for the other countries?

11 MR. NOLAN: This is Matt Nolan for Turkey, back  
12 here in the back. I'm just going to concur with our  
13 brethren's comments earlier on. It is clear that Turkey  
14 focuses its imports on certain ports, Houston, Southeastern,  
15 East Coast. The vast majority of material is in that area.

16 I look at this chart and I was puzzled, just as  
17 you are, when I first saw it, because it sort of indicates,  
18 'Well, look, Turkey's all over the place.' Is it possible a  
19 little bit may have gotten barged up the Mississippi River  
20 to go someplace in the Midwest? Sure, it's possible. But  
21 it's not going to be a material amount, I guarantee it. The  
22 cost of shipping that material on a U.S. flag vessel under  
23 the Jones Act would be extremely high, so the price  
24 delivered to the customer would be very significant.

25 CHAIRMAN WILLIAMSON: Okay, well if you have

1 something, if you haven't already submitted it, just  
2 something that shows why this chart is just misleading based  
3 on what information you have on volumes, that would be  
4 helpful.

5 MR. MALASHEVICH: Excuse me, Mr. Chairman?

6 CHAIRMAN WILLIAMSON: Mm-hmm?

7 MR. MALASHEVICH: Bruce Malashevich, ECS. I  
8 simply wanted to close the loop on your question concerning  
9 AK Steel and the spot market. Sometime within the last ten  
10 days there was an American Metal Market article and the lead  
11 article was an AK Steel Senior Executive commenting on the  
12 improvement of their earnings in the last quarter, and I'm  
13 paraphrasing now, but the Senior Executive said the one  
14 reason for their success is that they continue to exit the  
15 spot market and focus more on higher value-added products.

16 I believe the Commission subscribes to AMM, but  
17 I invite the staff to give me a call if they have difficulty  
18 finding the article.

19 MR. CAMERON: We will put it in the post hearing  
20 brief.

21 CHAIRMAN WILLIAMSON: Thank you. Okay. Well,  
22 let's spend some time -- the eight products listed on Page  
23 2-40 and 41 -- how big are they compared to the overall  
24 market for hot-rolled steel in the United States? And if  
25 you want to do this post hearing, you can. I asked the same

1 question of the petitioners this morning.

2 MR. CAMERON: We will. I don't think that they  
3 are large. We'll look at them.

4 CHAIRMAN WILLIAMSON: OK. Thank you.

5 MR. CAMERON: We'll analyze it.

6 CHAIRMAN WILLIAMSON: Okay.

7 MR. CAMERON: They are specialty products for a  
8 reason and the point was not that they were huge. The point  
9 was that there are unique products. But we will analyze it.

10 CHAIRMAN WILLIAMSON: But I guess there was also  
11 discussion about the domestics produced most of --

12 MR. CAMERON: Yes, they produce a lot, and then  
13 there's arguments about what they qualify for and what they  
14 don't. We had that discussion at the preliminary conference  
15 with respect to X-42 over 0.625 and whether or not all  
16 producers, in fact, qualify for that or not. And actually I  
17 think we had the better of the argument. We'll be glad to  
18 put that on the record.

19 CHAIRMAN WILLIAMSON: Good. Okay. Thank you.  
20 So you argue that the decline in demand explains the  
21 industry's worsening conditions in 2015. However, apparent  
22 consumption also fell between interim periods, but the  
23 industry's condition improved. Also, between interim  
24 periods, subject import volume fell substantially. Does  
25 that indicate that subject imports were also an important

1 factor affecting the industry's condition?

2 MR. DOUGAN: This is Jim Dougan from ECS.

3 I would argue that it doesn't. And part of what's, I  
4 guess, masked by that comparison is that what you have in  
5 the first quarter of 2016 is actually increasing prices, and  
6 increasing -- and this is a global phenomenon because -- and  
7 it's based off of increasing raw material prices. And you  
8 can see this. This is in the MEPS data.

9 You can look at hot-rolled prices around the  
10 world. Hot-rolled prices sort of hit their trough in --  
11 probably, you know, depending on what country or what source  
12 you're looking at -- November or December, and have been  
13 increasing very substantially since then. And that wasn't  
14 because of the case, because it's happening everywhere in  
15 the world.

16 And in that situation, you're going to have U.S.  
17 producers doing better when the prices are on their way up.  
18 And they're also in a situation where they are at capacity  
19 constraint too. So I think that those things lead to an  
20 improvement in their performance.

21 CHAIRMAN WILLIAMSON: Are you saying there's no  
22 post-petition reflected?

23 MR. DOUGAN: I mean, does the -- I think it  
24 varies from producer to producer, but I think what's very  
25 obvious if you look at the import data, is that the import



1 volume was declining fairly precipitously before the case  
2 was even filed. So to tie that to the filing of the case is  
3 I don't think a link that you can make.

4 CHAIRMAN WILLIAMSON: So why were the imports  
5 falling?

6 MR. DOUGAN: Demand was going down.

7 MR. CAMERON: And you will also see that Korea  
8 didn't follow that pattern. Again, why is that? The reason  
9 is dedicated supply to UPI and therefore -- but that isn't a  
10 post-petition effect either. That is basically their  
11 supply.

12 CHAIRMAN WILLIAMSON: Okay. Thank you. I seem  
13 to have gone way over my time. Commissioner Johanson?

14 COMMISSIONER JOHANSON: Thank you, Chairman  
15 Williamson. And I'd like to recognize my sister -- she just  
16 walked in the room -- Susan from San Antonio and her kids,  
17 James and Christian -- and anyway. She was at a hearing.

18 MR. CUNNINGHAM: She's here because we're  
19 calling her as an expert witness.

20 COMMISSIONER JOHANSON: I don't know about that,  
21 but she was here for a pipe and tube hearing, I think it  
22 was, maybe two or three months ago and then may have been  
23 longer than that and Christian and James, this is their  
24 first hearing, so it's kind of exciting. So welcome.

25 So I want to get back to something which

1 Chairman Williamson discussed this morning. I'd discuss it  
2 even more at length. Now is the whole issue of blast  
3 furnaces and electric arc furnaces. And there was testimony  
4 at the conference in the preliminary phase and this  
5 testimony is quoted at length in the staff report at Pages  
6 7-13, note 7. And it states, and this is a quote, 'Once you  
7 start a blast furnace up, that blast furnace is going to run  
8 24/7, 365 days a year, and if you take a blast furnace down,  
9 you're talking tens of millions, it could be hundreds of  
10 millions to bring it back up.' And that quote is from Mr.  
11 Lauschke of AK Steel.

12 Do you all agree with this testimony regarding  
13 the importance of fixed costs in hot-rolled steel  
14 production? And then I'd like to discuss a bit about the  
15 use of blast furnaces in these subject countries versus  
16 electric arc furnaces. If this is indeed a factor.

17 MR. RICHARDSON: This is Jerry Richardson with  
18 CSN. In my testimony, I mentioned that in Brazil we have  
19 one blast furnace down. It's on hot idle, so it is true,  
20 you don't want to shut a blast furnace down.

21 COMMISSIONER JOHANSON: Hot idle, it's hot, but  
22 you're not producing?

23 MR. RICHARDSON: That's right.

24 COMMISSIONER JOHANSON: So you're using energy?

25 MR. RICHARDSON: It's not completely shut off,

1 but there is some hot metal in the vessel still. As far as  
2 a cost estimate, I'm not an expert on that, but I know our  
3 people there have been talking about bringing it back up in  
4 the Fall and it's somewhere between ten and twelve million  
5 dollars, they figure.

6 COMMISSIONER JOHANSON: Okay. So when you say  
7 it's hot idle, so the fact that you have this blast furnace,  
8 you have to keep it operating, but you don't have to keep  
9 pumping out steel?

10 MR. RICHARDSON: Exactly right.

11 COMMISSIONER JOHANSON: Okay.

12 MR. DALBELER: I mean what you have to do is you  
13 have to keep it warm. Otherwise, if you cool it down, you  
14 have to change the whole refractory, which would cost you at  
15 least ten or fifteen million dollars, is about six months of  
16 repair, as far as blast furnaces are concerned.

17 COMMISSIONER JOHANSON: Okay.

18 MR. DALBELER: So you have to spend energy to  
19 keep it hot all the time, even if you don't take steel out  
20 of it.

21 COMMISSIONER JOHANSON: Yes, Mr. Dunn?

22 MR. DUNN: Yes, Commissioner Johanson. There's  
23 an interesting point there with regard to threat. Australia  
24 showed very high capacity utilization. And the petitioners  
25 came back and said, 'Oh, they're not telling you the truth

1 about the capacity, because their capacity is much higher.'

2 Well, the Commission in its staff report said  
3 the higher number is because there -- you get a higher  
4 number if you use the blast furnace, if you add in the blast  
5 furnace that has been closed since 2011. That blast furnace  
6 has not been on hot idle for five years. That blast furnace  
7 is not coming back. So their capacity is what they said it  
8 is. It's not fantasy of 'let's start up this blast furnace  
9 that's been shut down.'

10 MR. CUNNINGHAM: Could I add one thing on there?  
11 There's something I've always been curious about in these cases.  
12 And that is, I hear all of this from the domestic industry  
13 and I don't deny it, that it's really important to keep  
14 capacity utilization high.

15 If you look back at the various cases over the  
16 years, domestic industry's capacity is largely unchanged for  
17 well over a decade. And their capacity utilization is  
18 largely unchanged at a substantial level below their  
19 capacity. In other words, a substantial amount of idle  
20 capacity if you look at their figures.

21 And it's -- something's screwy there, it seems to  
22 me. Because if what you say about putting the blast furnace  
23 down is correct, and I'm sure it is, and their capacity  
24 utilization figures are correct, then they all should've  
25 been broke twenty years ago.

1 COMMISSIONER JOHANSON: Because?

2 MR. CUNNINGHAM: Because they're operating a low  
3 level of utilization of capacity, which suggests that  
4 they're running their things well short of capacity and now  
5 they're telling you, if we do that, if we run it well short  
6 of capacity, boy, that's disaster for us. But you've been  
7 doing it for twenty years.

8 COMMISSIONER JOHANSON: Okay. Thanks for your  
9 responses on that. I learned something there. Petitioners  
10 argue that there is a lack of growth opportunity in subject  
11 country's home markets and in other export markets. And  
12 this is due in part to excess capacity and rising  
13 competition from China, for example, if you look at AK  
14 Steel's brief at Page 26, it discusses this. How do you all  
15 respond to that?

16 MR. CAMERON: Well, Don Cameron. I think the  
17 first thing to note is that they had to fit China into this  
18 case somehow because they can't do a steel case without  
19 talking China.

20 The second thing is, in the case of Korea, we  
21 would suggest that you look at the numbers. Korea has very  
22 high capacity utilization, and in fact, there's been  
23 consolidation of the industry in Korea. It used to be three  
24 hot-rolled producers. There are now two. Consolidation has  
25 benefits and detriments, depending upon whether you are a

1 buyer or a seller. But the consolidation is a good thing in  
2 terms of trade and in terms of price competition.

3 The third this is that the capacity utilization  
4 is very high in Korea. They have a strong market. They  
5 have always had a strong market. And their export markets  
6 are also strong. So no, that does not apply to Korea, and  
7 actually I don't think applies to most of the countries  
8 here.

9 MR. NOLAN: This is Matt Nolan for Turkey. We  
10 strongly dispute the notion that China has taken over the  
11 world for steel here. Yes, there's an excess supply issue  
12 out there. We all know about it. There's been a lot of  
13 talk about it. Turkey imports Chinese material. It goes  
14 into Turkey. But they also compete vigorously in that  
15 market to maintain their share of that market in Turkey.  
16 Turkey operates in over a 170, 180 countries.

17 They can be competitive, even against the  
18 Chinese. They're not afraid of it. But that just means  
19 they're highly efficient producers, and one of the ways  
20 Turkey is able to do that -- it runs at a very high capacity  
21 utilization rate. If you look at Turkey's numbers, they're  
22 high. Because they run at an even amount and they try to  
23 maintain a pace that's constant, and they have a large  
24 diversification of markets to ensure they never get caught  
25 short.

1                   MR. ELLIS: This is Neil Ellis for Japan.  
2       Similar story to what Mr. Cameron said for Korea. There has  
3       been some consolidation in Japan over the past several  
4       years, but in addition -- you know, using this China  
5       boogie-man just can't work in this case. First, China  
6       itself, obviously is already governed by an existing  
7       anti-dumping order here in the United States. So they're  
8       saying, well there's indirect effect. Somehow China's  
9       impacting countries like Japan, exporting to third  
10      countries.

11                  That's not true. Japan is also at a very high  
12      capacity utilization rate. It has a thriving domestic  
13      market. It sells primarily to affiliates or to long-term,  
14      to other Japanese downstream users in various countries in  
15      Southeast Asia and in China. And none of that is affected  
16      by Chinese production. So this is a false boogie-man.

17                 COMMISSIONER JOHANSON: Okay, let me follow up  
18      on that. So you might have already answered this, but I  
19      want to dig a bit more into it, because this is something we  
20      hear quite a bit about. What impact is global overcapacity,  
21      including China, having on global competition for hot-rolled  
22      steel? I mean China is the largest producer. I know it's  
23      not a subject country.

24                 MR. CAMERON: China's the largest producer. A,  
25      China has a very large domestic market, which I believe even

1        USTR, is it not. And Commerce acknowledged in their most  
2        recent pronouncement on it. Nobody's saying that China  
3        doesn't have an impact in the world. It does. I mean  
4        China's big. It has an impact.

5                    But what we're saying is that, they're  
6        suggesting that essentially China has pushed everybody to  
7        the United States. Well, I don't really think that the  
8        numbers support that. What we've been saying from the  
9        beginning is that A, the volumes are not material in light  
10       of the size of the U.S. market for hot-rolled. I mean,  
11       think about it. The amount of subject imports in this case  
12       are less than the subject imports in corrosion and  
13       cold-rolled combined, and yet the hot-rolled market is  
14       larger than both of those markets combined.

15                   So it's a relatively small market. There are  
16       sales here that are dedicated for various reasons, various  
17       long-term customers. Those didn't appear or disappear  
18       because of China. So is China a factor in global trade?  
19       Certainly. Does everybody understand that there is  
20       overcapacity in China? Certainly. Some of that is being  
21       dealt with within China. Some of it is dealt with in their  
22       internal consumption and it's something that is there, but  
23       it's not like that just occurred a year ago or two years  
24       ago. This has been there for ten years.

25                   We're talking about now. This case just



1       happened. Why wasn't China -- what it did it in 2014 or  
2       2013 -- I don't think it -- I think it's relevant, but I  
3       don't think that it really says much in terms of this case  
4       and what imports are here.

5               COMMISSIONER JOHANSON: But going a little bit  
6       further, I don't want to spend much more time on this, as my  
7       time's expired. But the China, the economy's cool. I mean  
8       it's not a 12% growth anymore.

9               MR. DALBALER: Ugur Dalbeler from Turkey.  
10      China, in fact, become problem for the couple of years. I  
11      mean, up until, like, fifty million tons of steel out of  
12      China, the world can absorb. The trouble started when the  
13      Chinese start shipping more than fifty million tons and  
14      finally they reached about a hundred million tons last year.  
15      So everybody talks about this overcapacity being hundreds of  
16      million tons, but the real trouble is that fifty million  
17      tons that China is today trying to sell into international  
18      market.

19              But if we look at the areas that they're active  
20      today, it's not the U.S. It usually goes to the third  
21      world, like Southeast Asia, like Africa. Yes, it is putting  
22      pressure, but the reaction of the world last year was to  
23      reduce the production and resize themselves according to the  
24      market demand.

25              And China also started doing the same. Last

1 year they reduced their production by 3%, the first six  
2 months of this year was more or less the same, but we're  
3 expecting them to reduce their production maybe 5 to 6% by  
4 the end of the year, which equals to more or less to forty  
5 to fifty million tons. So we are expecting by 2017, that  
6 things might be more in balance. Thank you.

7 COMMISSIONER JOHANSON: All right. Thank you  
8 for your responses. My time has expired.

9 CHAIRMAN WILLIAMSON: Thank you. Commissioner  
10 Broadbent?

11 COMMISSIONER BROADBENT: Thank you, Mr.  
12 Chairman. I don't have any further questions. I'm looking  
13 forward to the closing statements and I just wanted to thank  
14 all the respondents for participating and organizing  
15 yourselves in a good way. It was very helpful to us as we  
16 try to sort through these issues. Thank you.

17 CHAIRMAN WILLIAMSON: Thank you. Commissioner  
18 Kieff?

19 COMMISSIONER KIEFF: I echo Commissioner  
20 Broadbent's remarks. Thank you very much.

21 CHAIRMAN WILLIAMSON: Thank you. Commissioner  
22 Schmidtlein?

23 MR. DUNN: Commissioner Kieff, could I just --  
24 you did -- I'm a strong believer in answering the questions  
25 that are asked and no more. You said this morning that you

1       were going to ask about the Australian imports outside of  
2       Steelscape, I believe, or outside of the West Coast. We  
3       will address that in a post hearing brief.

4               COMMISSIONER KIEFF: That would be wonderful. I  
5       didn't mean to avoid it. I meant to ask it once for the  
6       benefit of everybody and allow you all to provide that  
7       information.

8               MR. CAMERON: Fair enough. That's the way we  
9       understood it as well.

10              COMMISSIONER KIEFF: But thank you very much for  
11       flagging that.

12              CHAIRMAN WILLIAMSON: Okay. Thank you.

13              COMMISSIONER SCHMIDTLEIN: I do have a few more  
14       questions. So Mr. Cunningham, going back to this question  
15       about capacity essentially, and I'm looking at Tata Steel's  
16       brief at Page 43. Because if I understand the argument  
17       here, with regard to the explanation for why subject imports  
18       were coming in, it has to do with at least primarily that  
19       the West Coast is difficult to serve for the domestic  
20       industry, and so you've got these three subject countries  
21       coming in there.

22              And then Tata makes an argument about capacity.  
23       And specifically, you say, you focus on 2014, right, where  
24       there was an increase in demand, and that prehearing report  
25       reports that average domestic capacity was 77.6% in 2014,

1       which suggests --

2                       MR. CAMERON:   Utilization.

3                       COMMISSIONER SCHMIDTLEIN:   Capacity utilization,  
4       sorry, which suggests excess capacity of roughly eighteen  
5       million short tons.   And then Tata Steel's, the brief says  
6       that nothing even close to that figure was in fact available.

7                       And then you cite to some statements in the  
8       staff report regarding a collapsing roof, severe weather,  
9       purchasers being placed on allocation, and similar signs of  
10      constraint.   And so my question is, can you give us an idea  
11      of how much less than eighteen million tons the capacity was  
12      in 2014?

13                      MR. CUNNINGHAM:   -- to do the best we can in the  
14      first hearing brief, but let me see if I can clarify the  
15      position.   It's not that we're saying that the industry's  
16      capacity or even their utilization figures are wrong.   What  
17      we're saying is that during 2014 there were conditions which  
18      made some of that capacity unavailable.

19                      One was the -- and probably the biggest one was  
20      the increase in demand, which put pressure on the industry  
21      to supply their non-spot, particularly, their energy sector  
22      customers and led them to do exactly what the AK Steel  
23      fellow said they did.   That was exacerbated a bit by what  
24      you've heard in a series of cases, which was their troubles.  
25      There's a letter from one of the major producers in an

1 exhibit to our brief, which says that they're having to  
2 shutdown and put customers on allocation and they have  
3 substantial curtailment of available supply. There was the  
4 roof falling in on one of the plants. There was the  
5 extended winter.

6           What I don't want you to think is that I'm saying  
7 that -- or that we are saying that those outages were  
8 entirely the cause of the increase in imports. Increase  
9 in imports was caused, essentially, by the increased demand  
10 in the marketplace and the unavailability, short-term, on a  
11 spot basis of some of the capacity that the U.S. industry had,  
12 but couldn't use effectively.

13           It's hard to quantify it, but you see it in the  
14 allocations. You see it in the letters from the producers  
15 to the customers. You see it in the testimony of AK Steel  
16 here today. And what we're saying to that is that tells you  
17 that a force in the domestic market rather than import  
18 pricing was causing the increase in the portion of the  
19 increased consumption in the market that went to imports.

20           And the other thing we would point out to you is  
21 it didn't just go to subject imports. And it's really  
22 important that you look at the non-subject, non-Canadian  
23 imports, which had a bigger increase in percentage and also  
24 as big an increase in volume as the subject imports. And  
25 what that tells you is that it wasn't underselling and

1       dumped pricing and that sort of stuff that was stuff done by  
2       the subject Respondent countries that was causing the shift.  
3       It was something that causes a shift away from U.S.  
4       producers, not a shift that reduced their sales, but a shift  
5       that reduced the portion of the increase in demand that they  
6       took.

7                   COMMISSIONER SCHMIDTLEIN:   Okay.

8                   MR. CUNNINGHAM:   And frankly, they made out well  
9       because they were able to raise prices, which had a much  
10      more beneficial effect for them, much more than having that  
11      increment of volume would've had.

12                  COMMISSIONER SCHMIDTLEIN:   Okay.

13                  MR. MALASHEVICH:   Excuse me, Commissioner.   Bruce  
14      Malashevich.

15                  My testimony submitted today directly answers  
16      your question.

17                  COMMISSIONER SCHMIDTLEIN:   Okay.

18                  MR. MALASHEVICH:   Focusing on a different period.  
19      The events of 2014 have been well briefed and Mr. Cunningham  
20      summarized them perfectly.

21                  My testimony was stimulated by reading the  
22      Commission's affirmative determinations in cold-rolled and  
23      core, as a layperson.   And I was struck by one of the two  
24      elements described by Mr. Cunningham earlier this afternoon --  
25      the implied assumption that but for the increase in

1 imports all those tons would've been replaced with domestic  
2 production, ton-for-ton, basically. That was my layman's  
3 reading and so I tested that with developments following the  
4 Nader prices, hot-rolled prices roughly in December 2015.

5 And the staff has characterized the domestic  
6 supply response in this as quote "Moderate to high." And I  
7 decided to try to measure that and I think I succeeded in  
8 doing that. And I was stimulated, in part, by what I read  
9 in the Kelley Drye brief describing the recovery in domestic  
10 shipments in early 2016 as "modest." And I asked myself,  
11 well, why was it modest when prices were going up by 50  
12 percent for the first time in more than 10 years. Imports  
13 were exiting the market, leaving this huge supply gap.

14 And under the prevailing theory, as I as a  
15 non-lawyer read it and the earlier determinations, the  
16 assumption was that domestic supply would've sprung in and  
17 filled that gap ton-for-ton. So I looked at the data and I  
18 lay it all out and explain it in my written testimony. I  
19 urge you to read it because one of the briefs of Petitioners  
20 -- I forget which one, honestly, said, well, the subject  
21 imports lost market share and the domestic industry gained  
22 back those tons and increased the share within tenths of a  
23 point from each other.

24 Well, they didn't. When you think about it,  
25 arithmetically, the domestic industry could've not expanded

1 supply at all, hypothetically, and still gained market share  
2 when imports collapsed. They gained market share, but they  
3 didn't gain anything else, so I explored that further. I  
4 looked at the latest data monthly from AISI. I studied the  
5 behavior of prices. It was a perfect situation for domestic  
6 producers, 50 percent higher prices, millions of tons less  
7 imports. So if the ton-for-ton theory was correct, they  
8 would've expanded supply by as much as imports reduced.

9 In fact, they barely covered half of the  
10 reduction in imports. The supply responsiveness shown by  
11 the statistics in the staff report, which I do not dispute,  
12 and I make very clear in my written statement I'm not  
13 casting any aspersion on the manner in which capacity was  
14 reported. It's a very squishy, difficult question to answer  
15 in any investigation. It's an educated guess.

16 And what I tried to do is actually to look in the  
17 marketplace to see what happened.

18 COMMISSIONER SCHMIDTLEIN: And so what is your  
19 theory about what why they didn't.

20 MR. MALASHEVICH: The realistic level of how  
21 they're willing and able to expand is far below what the raw  
22 statistics say. It's not simply the change. There's a  
23 difference between production and capacity. It's the  
24 realistic ability of the industry to respond to this great  
25 opportunity and they failed. All the numbers are down



1       there.

2                   COMMISSIONER SCHMIDTLEIN:   Okay.   What do you  
3       mean the realistic opportunity?   Like what is that --

4                   MR. MALASHEVICH:   I explain in my written  
5       statement that for decades I've advised Respondent and  
6       Petitioner clients on completing the Commission's  
7       questionnaires.   In every single case the single question  
8       that causes more time, energy, and angst is the measurement  
9       of capacity.   You have differences in product mix.   You have  
10      the cycles.   You have, in this case, huge challenges between  
11      all the mergers and acquisitions that occurred, closure of  
12      capacity, addition of certain capacity.   From the point of  
13      view of the most diligent engineer or accountant trying to  
14      faithfully answer the Commission's question I'm sure they  
15      all did.

16                   It's a challenging task and amounts to  
17      accommodation of guess work, educated guess work, and  
18      wishful thinking.   What matters is how they actually respond  
19      to the perfect situation of a commercial opportunity and  
20      they couldn't.   They partially -- they responded to some  
21      degree, but by less than half of how much imports declined.  
22      So that, to me, signals the realistic capability of the  
23      industry responding regardless of how faithfully the  
24      questionnaires were filled out.

25                   COMMISSIONER SCHMIDTLEIN:   Okay.   Thank you very

1 much.

2 I would invite the Petitioner's side to respond  
3 to the statement that you're referring to and the general  
4 question here about the capacity numbers, and you all are  
5 invited to respond in writing as well.

6 So my time is up. I have another question, but  
7 if David has more. Do you have some too? Okay, go ahead.

8 CHAIRMAN WILLIAMSON: Okay, just a quick  
9 question. This is for the Netherlands and UK producers.  
10 Your brief discusses threat for the Netherlands and UK  
11 alone, but gives no discussion of why we should not cumulate  
12 those countries. Can you address that import issue for us  
13 in here or in post-hearing?

14 MR. CUNNINGHAM: Let me do that in the  
15 post-hearing.

16 CHAIRMAN WILLIAMSON: That's fine.

17 MR. CUNNINGHAM: Because if you get me started on  
18 that we're going to be here a while.

19 CHAIRMAN WILLIAMSON: Please do it post-hearing.  
20 Okay, in the threat discussions I didn't see much about  
21 inventories held by importers and purchasers, so that also  
22 can be discussed post-hearing, if you want to do that.

23 And lastly, do the recently imposed orders on  
24 cold-rolled and corrosion resistant steel affect the  
25 attractiveness of the U.S. market for hot-rolled steel?

1           MR. CAMERON: No. We believe that this argument  
2 of product shifting this is not realistic. Hot-rolled is  
3 the least valuable of the products in terms of value added  
4 and in terms of profitability of a product and I think that  
5 if you look at the foreign producer questionnaires you will  
6 find that there is very little capacity left. So no, you're  
7 not going to be -- I don't think you're going to have a  
8 measurable shift.

9           I understand that the U.S. market is everything  
10 to everybody and if you can't get one you're going to shift  
11 it into another. I don't think that that paradigm works and  
12 I don't think there's evidence on the record to say it.

13           CHAIRMAN WILLIAMSON: Okay, good. Thank you for  
14 that answer. Commission Johansen?

15           COMMISSIONER JOHANSON: Thank you Chairman  
16 Williamson.

17           I have just a few questions left dealing with  
18 specific countries, so this hopefully won't take too long;  
19 but why are hot-rolled steel production, shipments, and  
20 capacity utilization up during 2013 to 2014, according to  
21 reported data in Australia, Korea, the Netherlands, and  
22 Turkey? The situation seems to be different than that in  
23 the United States.

24           MR. CUNNINGHAM: Capacity and utilization were up  
25 you said?

1 COMMISSIONER JOHANSON: Yes. Steel production,  
2 shipments, and capacity utilization.

3 MR. CUNNINGHAM: Okay, alright.

4 COMMISSIONER JOHANSON: They seem to be going in  
5 different trends than the United States.

6 MR. CAMERON: Well, Commissioner, if it's okay,  
7 we'll look at it and address it in our post-hearing brief.

8 COMMISSIONER JOHANSON: Yeah, that sounds fine.

9 MR. CAMERON: Actually, I believe there are  
10 answers to that.

11 COMMISSIONER JOHANSON: Okay.

12 MR. CAMERON: Thank you.

13 COMMISSIONER JOHANSON: That sounds fine. And  
14 that's okay with the other countries involved?

15 MR. CAMERON: Yes.

16 COMMISSIONER JOHANSON: Yeah, I look forward to  
17 seeing that. Thanks a lot.

18 Then I have a specific question involving Korea.  
19 And Mr. Cameron, I think you might've addressed this. I  
20 apologize if you already did, but you spoke about  
21 consolidation in Korea.

22 MR. CAMERON: Right. The consolidation is the  
23 elimination of one of the three producers.

24 COMMISSIONER JOHANSON: And did that lead to the  
25 decline in capacity in Korea during the period of

1 investigation?

2 MR. CAMERON: Yes. Dongbu's mill was taken out.

3 COMMISSIONER JOHANSON: I assumed that was taken  
4 out. I just wanted to clarify as to how that happened.

5 MR. CAMERON: Yes.

6 COMMISSIONER JOHANSON: Then I have just one  
7 question involving Australia. Mr. Dunn, I assume you'd be  
8 the appropriate person.

9 I was wondering is the Australian home market  
10 growing and I'm wondering why have exports of Australian  
11 product increased to the United States, in general, in  
12 recent years, and I'm asking this based on public GTA data  
13 found in Table 7-4.

14 MR. DUNN: There are two parts to that question.  
15 I'll give you two parts to the answer. As to why exports  
16 have increased a large portion of that is, if  
17 you look at our brief, to Australia is that they've  
18 increased through Steelscape. The increase in Steelscape  
19 between 2013 and 2014 more than doubled exports to  
20 Steelscape, so that has basically the Australians taking  
21 more of their right to ship half of the steel to Steelscape.  
22 Ship half to Steelscape's needs.

23 The other thing is, and it's a broader question,  
24 and I would like to have a little more time to confer with  
25 my client on it, but one of the things that we tried to

1 point out in our brief is that Australia, BlueScope is  
2 primarily known in Australia as a producer of coded and  
3 painted steel. They have a product called Color Bond that  
4 is advertised everywhere. They get a price premium for it.  
5 That's what they want to sell and Australia has had  
6 something of a building, so you know they have a lot of  
7 increase in shipments domestically. Their domestic market  
8 is doing very, very well. And as we pointed out, they're  
9 really not an export-oriented producer.

10 COMMISSIONER JOHANSON: Okay, thank you.

11 It's interesting, in talking about Australia, I  
12 always think of Australia when I think about steel I think  
13 about iron ore going to China. That's when you pick up the  
14 newspaper that's what you see all the time, how important it  
15 is. And it certainly might have a cost advantage in  
16 producing with all that iron ore there; is that correct?

17 MR. DUNN: There is. No, it's all iron ore. I  
18 mean Australia has mountains of iron ores and mountains, by  
19 the way, of coal.

20 COMMISSIONER JOHANSON: Like a big Pittsburg  
21 almost.

22 MR. DUNN: They're right there, but there was  
23 another point I wanted to address in the post-hearing, but I  
24 think you know your question touches on it.

25 The suggestion that was made this morning why has

1 Australia increased? Because their automotive industry has  
2 died, right. Their automotive industry is going out of  
3 production. That's true, but BlueScope has not sold  
4 virtually anything to the automotive industry in Australia  
5 in years. You know in the Commerce Department we looked at  
6 all of their customers and they really don't have an  
7 automotive customer. They're shipping downstream and their  
8 hot-rolled is going heavily to pipe and tube and to service  
9 centers.

10 I used to represent a Canadian producer now owned  
11 by an American producer and I know how North American  
12 companies work in the automotive industry. They get  
13 contracts for hundreds of thousands of tons to supply for  
14 different plants, different parts to Ford, GM, Chrysler.  
15 BlueScope has not been in that market and years, well before  
16 the period of investigation, so that's not why they've  
17 increased their exports.

18 COMMISSIONER JOHANSON: Alright, thank you. That  
19 concludes my questions. Thank you all for appearing here  
20 today.

21 CHAIRMAN WILLIAMSON: Thank you. Commissioner  
22 Schmidtlein?

23 COMMISSIONER SCHMIDTLEIN: Yeah, I had one more.  
24 And you're welcome to address this in the post-hearing  
25 brief. The conversation I had with the Petitioners this

1 morning about the statement in the Korean brief with regard  
2 to the decline in prices and that being attributable to the  
3 decline in raw materials. And I'm looking at page 45 of the  
4 brief. And if you could explain more what your basis for  
5 this statement is that because the prices of raw materials  
6 are transparent to purchasers domestic producers were forced  
7 to lower prices more quickly than the decline in their  
8 actual material costs, which reflect the value of  
9 inventories purchased when material prices were higher. So  
10 you don't cite anything there for that statement.

11 MR. CAMERON: Sorry.

12 COMMISSIONER SCHMIDTLEIN: There's no footnote or  
13 anything, so you know when I was trying to explore with them  
14 this morning how raw material costs impact negotiations.

15 MR. CAMERON: We will be glad to do that. And  
16 part of the basis for that was the questionnaires that I  
17 believe you also cited this morning, but you know it does  
18 raise an interesting -- when you raised this question this  
19 morning the dialogue was quite interesting because you asked  
20 about whether or not -- you know was it Petitioner's  
21 position that raw material prices have no impact on pricing.

22 And counsel for Petitioners said, no, we didn't  
23 really say that, right, but we had Mario Loughi from U.S.  
24 Steel who said we've never had any -- raw materials are  
25 never involved in the pricing. And then we had the witness



1 from Nucor who basically said -- he said no and he gave the  
2 example, well, you know when scrap prices go up they don't  
3 demand a price increase. I'm not sure how responsive that  
4 was to the question, but the Petitioners' theory from the  
5 preliminary, and we will be glad to put the cites in, has  
6 always been that raw material prices and costs have no  
7 impact on the price negotiation with their customers.

8 That defies reality and it defies the record of  
9 this investigation. So that was basically what we were  
10 positing in our statement and we will elaborate in  
11 post-hearing brief, but the responses that you were getting  
12 this morning were like not really. And then, of course, the  
13 very witnesses that they're relying on are continuing to say  
14 the same thing. That, no, raw materials have nothing to do  
15 with pricing. That is an unbelievable position.

16 MR. CUNNINGHAM: Dick Cunningham again.

17 Two quick -- actually, three very short points.  
18 First of all, the staff report at page V-9 recites that 34 of  
19 46 responding purchasers stated the changes in raw material  
20 prices affect their price negotiations, so it is right there  
21 in the survey that you've got.

22 Secondly, the Petitioners play kind of fast and  
23 loose with how they deal with declines in raw material  
24 prices with raw material costs, the comparison of raw  
25 material to clients and price declines. If you'll look at

1 the chart or figure 5-1 on page 5-2 of the staff report and  
2 you look at what I would think you would do to look at the  
3 price decline of raw materials. You would either take it  
4 from the peak to the trough and the trough comes right at  
5 the end of 2015, which is what you want to see. You want to  
6 see the decline during the year when prices decline so you  
7 can compare them. And whether you measure that from the  
8 beginning of 2015 or you measure that from the peak back  
9 there in 2014 you get much bigger declines than the  
10 Petitioners get. Why? Because they throw in the uptick in  
11 2016, which really isn't relevant to that analysis. And the  
12 same problem as when they make the rather startling  
13 statement that prices declined more than per unit raw  
14 material costs.

15 If you'll refer to table 6-6 -- I'm sorry, page  
16 6-6, table 6-1 and you look at the price declines or the raw  
17 material declines we've done the math for you on page 16 of  
18 our brief. And if you look at it from 2013 to '15 price  
19 declines are 17 percent, raw material declines 20.6 percent.  
20 2014 to '15 price declines 21.3 percent, raw material  
21 declines 21.6 percent.

22 COMMISSIONER SCHMIDTLEIN: But why is it more  
23 appropriate to look at percentage declines? When you look  
24 at the staff report, page 6-6, it shows that the change in  
25 the commercial sale average unit value, the change was \$142

1 per ton and the change in raw material was \$88.

2 MR. CUNNINGHAM: From when to when, in 2015?

3 COMMISSIONER SCHMIDTLEIN: That was '14 to '15.

4 MR. CUNNINGHAM: From '14 to '15, because I did  
5 that figure there.

6 COMMISSIONER SCHMIDTLEIN: That's the change.  
7 So if you look at it on a percentage basis, I see what  
8 you're saying, but why is that more appropriate than looking  
9 at it on a dollar basis in terms of what the cost per ton  
10 was and what the price per ton was.

11 MR. CUNNINGHAM: Because clearly prices are going  
12 to have a higher dollar base than costs because costs are a  
13 component of price and so you do a dollar-to-dollar and of  
14 course you're going to have a higher dollar figure for a  
15 price decline than for cost decline, but the question is  
16 what is the component of costs in your price and that's what  
17 this looks at.

18 COMMISSIONER SCHMIDTLEIN: So Respondents, you  
19 would say that if costs dropped by 10 percent prices should  
20 drop by 10 percent.

21 MR. CUNNINGHAM: No. I would say that if what  
22 you're looking at is the extent to which costs declines, and  
23 particularly declines in raw material costs, had an effect  
24 on the pricing by Petitioners then what you want to get at is  
25 the question of whether raw material prices have declined

1 more than or at least equal to the decline in the finished  
2 product price and that's what we've done and that shows you  
3 -- that's what you have done, what your staff has done, what  
4 every Commissioner here has done in the past five  
5 determinations, three preliminary and two final, in the  
6 steel cases.

7           What you've said is that price declines -- well,  
8 first of all, remember you were dealing there with cases  
9 where there was a predominance of underselling and here  
10 there's not. Secondly, you're dealing in corrosion  
11 resistant with a case -- and I think this is important to  
12 you and two of the other Commissioners where the demand had  
13 continued strong in 2015, yet prices had declined. Here  
14 that's not the case. Apparent domestic consumption fell  
15 substantially, but then you said that even though the costs  
16 of goods sold to sales ratio, which Commissioners looked at  
17 from time to time in the past, shows that it has risen  
18 during the period.

19           Price increases, we're talking the price  
20 suppression issue here.

21           COMMISSIONER SCHMIDTLEIN: Right.

22           MR. CUNNINGHAM: Price increases would not have  
23 been expected when both demand was declining and when the  
24 cost of raw materials was declining and here that is clearly  
25 the case. And moreover, the cost of material on a

1 percentage basis was declining more than the price of the  
2 finished product. So I guess what I come to here is you go  
3 back to we think this is a price case because the volume is  
4 immaterial. We can argue that, whether it's immaterial or  
5 not. I suppose one can argue about whether the volume was  
6 affected by underselling. I've told you why I don't think  
7 that could possibly be the case, but on the price side it's  
8 clear that price changes are the predominate influence on the  
9 industry's operating results throughout this period, up and  
10 down, and that there is no price suppression or depression  
11 by the metrics, by the analysis that you have used in each  
12 of the past cases.

13 MR. CUNNINGHAM: That's all we're trying to say.

14 COMMISSIONER SCHMIDTLEIN: Okay, may I just point  
15 out, in that Korean brief on Page 45 right above the  
16 sentence I quoted, the Koreans point out that the variance  
17 analysis presented by the hearing, the prehearing report  
18 shows that the industry's poor financial performance in 2015  
19 was attributable to a sharp decline in prices while the  
20 industry's cost declined, its prices declined by more  
21 leading to the industry's drop in profitability.

22 MR. CUNNINGHAM: True as a dollar matter but not  
23 true in the relevant comparison which is that, put the two  
24 trend lines down, one will go down faster than the other one  
25 and that will be cost.

1                   MR. DOUGAN: Commissioner, if I -- Jim Dougan  
2                   from ECS and Mr. Cameron may have something to add to this  
3                   as well, you know, we have, I think there's maybe battling  
4                   straw men going on between the Petitioners and we, you know,  
5                   they sort of say our argument and the base for our argument  
6                   is that it should be a 1 for 1 that when raw materials go  
7                   down then prices have to go down by the same amount and that  
8                   doesn't really happen. We've never said that. The way that  
9                   we presented this analysis is in response to their  
10                  statements at the prelim which is well, it's just supply and  
11                  demand. Raw materials don't have an impact on this.

12                 So we're saying of course they do. I mean they  
13                 absolutely do. Is it a 1 for 1? No, we've never argued  
14                 that. But the idea that in a situation where you have  
15                 declining demand and declining raw material prices at the  
16                 same time you know, it's not surprising that you're price on  
17                 a dollar basis could go down by more but on a percentage  
18                 basis does not necessarily seem to be true and I would also  
19                 point out that you know in the metric the Commission  
20                 examines in terms of cogs to sales ratios which is as  
21                 percentage sales, total cogs, raw materials as a percentage  
22                 of sales was lower in 2015 than it was in 2013.

23                 So you know the idea that these things don't have  
24                 an impact is not true and the idea that if, even if imports  
25                 were not in the market at all. This morning you heard

1 petitioners say well, you know we come here as a group but  
2 when we leave this room we crawl over each other's dead  
3 bodies to get business. In that context, is it really  
4 credible to think that when you have raw material declining  
5 by 40% that a customer is going to go to you and not ask for  
6 a price concession on that basis? They are going to say  
7 "no, you keep that 40 percent margin because we're not going  
8 to go talk to another Domestic Producers and get that price  
9 concession"; I mean that just doesn't, that doesn't -- it's  
10 not reality.

11 MR. CAMERON: Which is not to say that the 40  
12 percent is an exact number but in other words it does factor  
13 into it. So look, I know the scrap went down. How do I  
14 know that? Because it's published. So I'm not looking at  
15 your cost, I'm looking at the published evidence of what our  
16 cost in this market. I know that the iron ore went down. I  
17 know that the scrap went down and therefore yes, it is and  
18 especially if it's Nucor or somebody like that with scrap  
19 because you know that is their raw material and if it's  
20 corrosion resistant or cold-rolled, they knew what the price  
21 of hot-rolled was.

22 COMMISSIONER SCHMIDTLEIN: Okay. Well, I, again,  
23 so I'll come back to -- the original question was if you  
24 could just explain that, not here but --

25 MR. CAMERON: We will do so.

1 COMMISSIONER SCHMIDTLEIN: In your post-hearing  
2 and provide the basis for that assertion.

3 MR. RICHARDSON: Excuse me. Jerry Richardson,  
4 CSN. Can I make a comment on this raw material question?

5 COMMISSIONER SCHMIDTLEIN: Yes. There you are.  
6 Okay. (Laughs).

7 MR. RICHARDSON: As a buyer of hot-rolled coil in  
8 the U.S. Market, the things I watch for are lead times,  
9 availability and raw material import costs and there's a  
10 certain formula that mini mills use which is basically scrap  
11 plus around 180 dollars is their cost to make a hot band.  
12 So as a consumer I know kind of how much margin they're  
13 making but this works both ways so when scrap's going down  
14 and hot-rolled coil price is going down faster, they have an  
15 inventory of scrap to consume, so maybe it looks like their  
16 financials are taking a hit but they are going through the  
17 higher-cost scrap.

18 Today, as prices go up, their metal spread is  
19 huge because hot-rolled prices are going up faster than the  
20 scrap prices are going up so you can use it as kind of a  
21 barometer but it's not tied exactly. There's nuances to it.  
22 That's all

23 COMMISSIONER SCHMIDTLEIN: Okay, that's helpful.  
24 Thank you very much. I don't have any further questions.  
25 Thank you.



1                   CHAIRMAN WILLIAMSON: If there are no other  
2                   questions from Commissioners, do Staff have any questions  
3                   for this panel?

4                   MS. TURNER: Yes, Chairman. There's one question  
5                   and this question is for Hyundai Steel and POSCO's Counsel.  
6                   Mr. Cameron, in your prehearing brief you don't make an  
7                   argument about not cumulating Korea for purposes of present  
8                   material injury but in response to some of the questions  
9                   today particularly regarding fungibility and the treatment  
10                  of affiliates, are you now making an argument for present  
11                  material injury that Korea should not be cumulated?

12                  MR. CAMERON: Good question. I apologize if  
13                  there was any confusion but no, we are not making a present  
14                  injury decumulation argument for Korea. What we were trying  
15                  to do was analyze the conditions of competition in the  
16                  market because they go to the overall issue of injury and  
17                  causation. But no, we did not make a decumulation present  
18                  injury argument in the brief and we aren't making it here  
19                  and we're not going to make it in the post-hearing.

20                  MS. TURNER: Thank you for the clarification.

21                  MR. CUNNINGHAM: No, I apologize if there was any  
22                  confusion on that.

23                  MS. TURNER: That's it for Staff's questions.  
24                  Thank you.

25                  CHAIRMAN WILLIAMSON: Do Petitioners have any

1 questions for this Panel?

2 AUDIENCE: No.

3 CHAIRMAN WILLIAMSON: No? Okay, fine. Well,  
4 it's time for closing statements and let's see, Petitioners  
5 have no minutes left for direction of questions, they have a  
6 closing in five minutes and Respondents have three minutes  
7 from direct and five from closing for a total of eight  
8 minutes as you accumulate this. So I want to thank this  
9 Panel for their testimony and I'll ask you to step back and  
10 we'll have closing statements.

11 MR. CUNNINGHAM: Thank you, Mr. Chairman.

12 CHAIRMAN WILLIAMSON: Thank you.

13 MS. BELLAMY: Will the room please come to order?

14 CHAIRMAN WILLIAMSON: Mr. Gerrish and Mr. Vaughn,  
15 you can start when you're ready. Thank you.

16 STATEMENT OF STEPHEN P. VAUGHN

17 MR. VAUGHN: Chairman Williamson I am Stephen Vaughn  
18 on behalf of AK Steel. We would like to thank the  
19 Commission and its staff for all the hard work you've put  
20 into these cases and for the serious attention you have  
21 given to the issues here today. Counsel for Tata  
22 Netherlands blatantly and repeatedly misrepresented the  
23 testimony of AK Steel. No one from AK Steel said or even  
24 suggested that it voluntarily left the spot market for  
25 hot-rolled steel.

1           AK Steel exited a large portion of its spot  
2 business in conjunction with the idling of its blast  
3 furnaces and melt shop in Ashland in December of 2015, a  
4 decision that put over 600 people out of work. This  
5 decision was driven by the plummeting steel prices that  
6 began in 2014. AK Steel was forced to exit the market due  
7 to unfairly traded imports that caused depressed pricing.

8           I would now like to address very quickly three of  
9 Mr. Dougan's slides. In his first slide, his first slide  
10 relies on data for the total market even though the statute  
11 plainly indicates that you're supposed to focus on the  
12 merchant market. His third slide actually shows what we've  
13 been showing here all along, which is that the merchant  
14 market share of the Domestic Industry doubled from 2013 to  
15 2015 so we have no problems with that slide.

16           His second slide purports to show this big  
17 decline in Subject Imports from January to August in 2015. In August  
18 in 2015 the Subject Imports were 289 thousand tons, that  
19 adds up to almost 3.5 million tons over the course of the  
20 year. So it was not a significant decline. They were  
21 actually on pace to ship 3.5 million tons when we came into  
22 this market. I would also like to make the point that they  
23 said today that 500 million dollars is not material to  
24 Domestic Producers. We believe that 500 million dollars is  
25 material to Domestic Producers.

1           Then a few other points. They say that there was  
2 no underselling. The record shows that for most of the  
3 imports, the data did undersell the domestic like-product  
4 even though Domestic Producers were desperately cutting  
5 prices throughout 2015 in an effort to keep their mills  
6 running, you have 18 different purchasers who confirm that  
7 and the questioning on this point this afternoon was very  
8 helpful.

9           Second of all they claim they were serving  
10 customers that we cannot or will not supply? The record  
11 shows that when they surged they took all of the market  
12 share at our expense. With that, I'll turn it over to Mr.  
13 Gerrish.

14                       STATEMENT OF JEFFREY D. GERRISH

15           MR. GERRISH: Thank you I'm Jeff Gerrish for US Steel.  
16 I too would like to thank the Commission for all the hard  
17 work in these cases. The other side wants you to focus on  
18 the shipments by Korea, Japan and Australia to the West  
19 Coast. This is a smoke screen and does not in any way show  
20 that these imports did not cause injury to the Domestic  
21 Industry or that they should be decumulated. Australia,  
22 Japan and Korea ship to customers throughout the United  
23 States.

24           Even if you just focus on the ports that were  
25 shipped to in 2015 twenty percent of the imports from

1 Australia went to ports outside the West Coast. The  
2 percentages are even higher for Japan and Korea. Thirty-six  
3 percent of imports for Japan and thirty percent of imports  
4 for Korea went to port outside the West Coast and imports to  
5 the West Coast certainly do not explain in any way the surge  
6 of imports we saw in 2014 and 2015. On an overall basis the  
7 increase in shipments to the West Coast accounted for less  
8 than 20 percent of the increase in overall Subject Imports.

9 The increase in shipments to affiliates of the  
10 Subject Producers account for even less of the increase.  
11 They account for less than ten percent of the overall  
12 increase in Subject Imports so they simply do not explain  
13 the surge in imports that we saw in 2014 and 2015. The fact  
14 of the matter is U.S. Producers have sold to the West Coast  
15 in substantial volumes in the past and they would love to  
16 sell more going forward. I think it's important to keep in  
17 mind here that the Respondents keep talking about this is  
18 going to keep them out of the U.S. Market. It's not going  
19 to keep them out. Granting relief does not mean that these  
20 countries will be unable to ship to this market. They  
21 simply need to price their products fairly.

22 The Respondents spend a lot of time talking about  
23 hot-rolled products not being fungible. All you really need  
24 to look at there is the change in market share. When the  
25 Subject Imports surged into the market they took about the

1 same market share that we lost. When they receded from the  
2 market we gained back about the same market share that they  
3 lost. That shows that they're not selling products here  
4 that we don't produce and sell and it completely undermines  
5 any sort of claim that the products aren't fungible.

6 The decline in demand for energy tubular products  
7 in 2015 also does not explain the harm that the Domestic  
8 Industry suffered. The data show that this decline does not  
9 in any way account for the 4 million ton decline in  
10 shipments of hot-rolled steel that the Domestic Industry  
11 suffered in 2015. It is important to keep in mind that in  
12 2015 Subject Imports continue to flood in at even higher  
13 levels than in 2014 and took even more sales and market  
14 share from Domestic Producers.

15 They increased their volumes to over 4 thousand  
16 tons at 2015 into a market where they claimed demand was  
17 down. They caused the condition to get significantly worse  
18 for the Domestic Industry but if you have any question about  
19 whether the decline in energy tubular demand caused injury,  
20 you need only look at what happened in the first quarter of  
21 2016. The data for the first quarter of 2016 give you the  
22 remarkable ability to isolate one variable -- the supply in  
23 imports. That shows that they were the cause of the injury,  
24 not the decline in any tubular demand.

25 Finally, on the point of materiality, the

1 Respondents claim that a 550 million dollar change in  
2 operating income is not material and 1.1 million tons  
3 shifting to imports because of price is not material, I  
4 would submit to you that Congress definitely would think  
5 that's material and certainly the 2500 steel workers that  
6 lost their jobs because of unfairly traded imports would  
7 think that's material. Thank you and I would ask you to  
8 issue an affirmative determination. Thank you.

9 CHAIRMAN WILLIAMSON: Okay, thank you.

10 MR. ELLIS: Good afternoon, I understand that I  
11 have 8 minutes which is --

12 CHAIRMAN WILLIAMSON: You actually have nine now.

13 (Laughter)

14 STATEMENT OF NEIL R. ELLIS

15 MR. ELLIS: And it's going down. Okay, I want to  
16 thank you also for your hard work and for the Staff's hard  
17 work.

18 Petitioners' arguments boil down to the point that  
19 their financial conditions deteriorated for a time period  
20 and imports increased but this confuses temporal overlap  
21 with causation which the statute does not permit.

22 Petitioners' argument also boils down to an assertion  
23 that every ton of Subject Imports sold in the U.S. is a sale loss  
24 to the United States' industry. This is also flatly  
25 incorrect for many reasons, which we explore today.

26 Two of the most obvious reasons are, this product

1 is not widgets that are all fungible or interchangeable, and  
2 Petitioners' argument assumes capability -- not just capacity --  
3 of the U.S. Industry that does not exist.

4           Petitioners argue that the lost volume  
5 to Subject Imports and that this caused them injury.  
6 This is incorrect. The volume of Subject Imports  
7 even at its peak was very small given the huge size of  
8 this market. The Staff's Volume Variance Analysis shows  
9 the insignificant impact of volume increase on the U.S.  
10 Industry, and going once again to Jim Dougan's slide no. 15, five  
11 hundred million sounds like a big number, but this is from the  
12 Staff's own data. The small line there is the volume impact. It  
13 simply is immaterial, to use the legal term. Moreover, the  
14 volume increase in 2014 occurred in a rising market, a  
15 rising market when the U.S. Industry was unable and/or  
16 unwilling to supply certain segments of their growing  
17 market. There are many statements by purchasers who had  
18 been placed on allocation by U.S. Mills or refused entirely.  
19 We talked about some of them today.

20           There also were mill closures and an inability to  
21 supply due to severe weather, etc. Imports obviously had  
22 nothing to do with these scarcities. In 2015 the volume of  
23 Subject Imports declined steeply from January to August. We  
24 just heard they don't like Mr. Dougan's slide no. 2, but  
25 nevertheless it shows a dramatic decline in relation to or



1 caused by conditions in the U.S. Market from January to the  
2 time the Petition was filed.

3           Petitioners also say that all the volume sold by  
4 Subject Imports could have been supplied by U.S. Producers.  
5 This is wrong. We have heard testimony this afternoon about  
6 delivery disruptions, freight limitations, refusal to  
7 supply, quality issues and specialty product from the  
8 testimony of Steel Warehouse, UPI and Quality Tubing. There  
9 are many other details that are confidential that are in our  
10 brief on this topic.

11           Petitioners say they can adequately serve the  
12 West Coast. This is wrong. We talked about that  
13 extensively so I won't take time now, but the assertion that  
14 the West Coast Producers, downstream users can be served by  
15 the U.S. Mills is flatly incorrect. Due not merely to  
16 geography and not merely affiliation, but both. In addition,  
17 we know that we just heard that not all exports go to the  
18 West Coast. That of course is true, but even, especially  
19 for Japan, Korea and other countries, exports to other ports  
20 are to dedicated long-term customers.

21           Regarding the dedicated customers,  
22 dedicated customers, they require commitments of large and  
23 steady quantities. They cannot be put in the position of  
24 regularly scrambling to find supply in the spot market, and  
25 you can't rely on supply from U.S. Mills when those mills  
26 have higher priorities. The dedicated customers also must

1     qualify producers, which takes time. We've heard that the  
2     U.S. Mills are incapable or unwilling to do this in certain  
3     instances. Quality Tubing testified about this and so did  
4     Steel Warehouse.

5             Petitioners argue that there are price effects.  
6     This is wrong. In terms of the number of instances, there  
7     was significantly more overselling than underselling, a  
8     roughly 60/40 ratio. Even in terms of volume they're  
9     balanced. There is no pervasive underselling, contrary to  
10    what the Commission found in the CORE and cold-rolled cases.  
11    Moreover, the purchasers uniformly identify the U.S.  
12    Producers as the price leaders. If prices were going down,  
13    the producers, the U.S. Mills were taking them down. It was  
14    not done by Foreign Producers, and that's in the Staff Report  
15    at page 5-10 and 11. This is different from any of your  
16    other cases in which purchasers identify the imports as  
17    being the cause of pricing pressure. There is no basis to  
18    conclude that the downward trend in prices was due to the  
19    foreign supply.

20            Petitioners say that there was price  
21    suppression and depression. This is wrong. Even in the  
22    CORE and cold-rolled case the Commission found no  
23    suppression or depression despite more significant evidence  
24    of underselling.

25            Petitioners say that they've shown the necessary  
26    causal link between imports and injury. This is wrong. The

1 U.S. Industry's shipments and prices and conditions  
2 generally improved in 2013 and 14 despite an increase in  
3 import volumes. The industry's financial difficulties  
4 occurred in 2015 even as there was overselling and Subject  
5 Imports declined drastically. This was clearly due to  
6 exogenous factors, such as a reduction in demand for  
7 hot-rolled in OCTG and other tubular segments of the market.

8           Petitioners say that Subject Imports pose a  
9 threat. This is wrong. As explained by Mr. Dougan, the  
10 U.S. Industry's financial conditions are improving so cannot  
11 be found to be vulnerable. Prices have strengthened  
12 globally so it cannot be attributed to the filing of the  
13 Petition. Demand in the oil and gas market has  
14 strengthened somewhat, and the restructuring charges that  
15 affected some of the mills' net profits in 2015 are by  
16 definition one-time charges that will not impair their  
17 profitability in the future.

18           Certainly as for Japan, which we submit should  
19 be decumulated for threat if not for present injury, the  
20 record shows that the Japanese Industry there has declining  
21 capacity and high capacity utilization. No potential for  
22 product shifting, a strong focus on third country markets  
23 where there are long-term relationships with affiliates and  
24 other Japanese transplants, and a tiny and stable market  
25 share in the United States to affiliates and long-term

1 customers. This is true for other countries as well as  
2 Japan.

3           The corrosion-resistant and cold-rolled orders  
4 will not cause greater exports of hot-rolled to the United  
5 States. It's pure speculation to assume that, which the  
6 statute does not permit the Commission to engage in. There  
7 is steady and stable relations between Japanese and other  
8 major exporting countries with specific customers in the  
9 United States to offer hot-rolled, cold-rolled or  
10 corrosion-resistant steel. They do not simply swap those  
11 out and start producing more hot-rolled at the expense of  
12 cold-rolled production in their home markets. That is not  
13 the way these industries work. It's true for Japan but it's  
14 also true for Korea, Netherlands and other countries.

15           Finally, I would note that at the bottom line a  
16 lot of the concerns are based on the generalized fears of global  
17 overcapacity and China. One always has to bring China into  
18 these cases. You can't do that here. China is already  
19 covered under an existing order, it's been under order for  
20 many years. It is non-Subject Product in this case.

21           The possibility that problems in China or that  
22 China may export to Africa or someplace else may in turn  
23 cause more exports from Japan or Korea to the United States  
24 is again pure speculation. There is no evidence for that.  
25 There is a lot of fear-mongering but there is no evidence.

1 You cannot make a determination on the basis of speculation.  
2 Thank you very much.

3 CHAIRMAN WILLIAMSON: Thank you and I want to  
4 thank everyone for participating in the hearing today,  
5 closing statement, post-hearing briefs, statements  
6 responsive to questions and requests of the Commission and  
7 corrections to the transcript must be filed by August 11,  
8 2016. Closing of the record and final release of data to  
9 the parties is August 29, 2016. Final comments are due by  
10 August 31, 2016. With that, this hearing is adjourned.

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey and the United Kingdom

INVESTIGATION NOS.: 701-TA-545-547 and 731-TA-1291-1297

HEARING DATE: 8-4-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 8-4-16

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I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED:

Gary Johnson  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

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